State of Florida
Long-Range Financial Outlook
Fiscal Year 2009-10 through 2011-12

Fall 2008 Report

Jointly prepared by the following:
The Senate Fiscal Policy and Calendar Committee
The House Policy & Budget Council
The Legislative Office of Economic and Demographic Research

Table of Contents

Long-Range Financial Outlook

What is the Outlook?

In 2006, Florida voters adopted a constitutional amendment that requires the development of a Long-Range Financial Outlook, setting out recommended fiscal strategies for the state and its departments in order to assist the legislature in making budget decisions. The Legislative Budget Commission is required to issue the Outlook by September 15th of each year. The 2008 Outlook is the second 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 more financial stability between state fiscal years. The Outlook accomplishes this by providing a longer-range picture of the state's fiscal position that integrates projections of the major programs driving Florida's annual budget requirements with the revenue estimates. In this regard, the projections primarily reflect current-law spending requirements and tax provisions. It also includes budgetary, economic, demographic, and debt analyses to provide a framework for the financial projections and covers the upcoming three fiscal years: 2009-10, 2010-11, and 2011-12.

THE OUTLOOK DOES <u>NOT</u> PURPORT TO PREDICT THE FUNDING LEVELS OF FUTURE STATE BUDGETS OR THE FINAL AMOUNT OF FUNDS TO BE ALLOCATED TO THE RESPECTIVE BUDGET AREAS. THIS IS BECAUSE VERY FEW ASSUMPTIONS ARE MADE REGARDING FUTURE LEGISLATIVE POLICY DECISIONS ON DISCRETIONARY SPENDING, MAKING THIS DOCUMENT SIMPLY A REASONABLE BASELINE OR A STARTING POINT. THE ASSUMPTIONS THAT ARE MADE ARE CONFINED TO SPECIFICALLY DESIGNATED SCENARIOS. IN EACH SCENARIO, ALL UNSPENT FUNDS ARE STILL CARRIED FORWARD INTO THE FOLLOWING FISCAL YEAR.

Who produced it?

The Outlook was jointly developed by the Senate Fiscal Policy and Calendar Committee, the House Policy & Budget Council, 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 such as Medicaid and the Florida Education Finance Program (public school funding), as well as recent constitutional requirements such as Class Size Reduction, were reviewed and analyzed.

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

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

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

Understanding the Outlook

- The Outlook is structured into policy sections that correspond to the Appropriations Bill format required by the constitution. Also included are separate sections for Potential Constitutional Issues, Statewide Distributions / Administered Funds, Revenue Projections, Florida's Economic Outlook, Florida's Demographic Projections and Composition, Debt Analysis and a comparison of costs versus revenues.

- Each policy section contains projections of the applicable major state-supported programs, a listing of the assumptions behind the projections and a description of 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 programs historically considered non-recurring, and funded with non-recurring funds, are also included in the Outlook. Even though non-recurring, these programs are viewed as "must funds" by most legislators and are therefore identified as major cost drivers.

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

- All revenue projections include recurring and non-recurring amounts.

- The Fund Projection Tables (General Revenue, Educational Enhancement, Principal 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*" (annnualizations of current year activities, mandatory increases based on estimating conferences and other essential needs) and "*Other High Priority Needs*" (historically funded issues). *Critical Needs* can be thought of as the absolute minimum the state must do absent significant law or structural changes, and *Other High Priority Needs* in combination with the *Critical Needs* form a highly conservative continuation budget.

- The Fiscal Strategies section demonstrates the impact of varying policy decisions on the baseline projection. The unique assumptions used for these scenarios are not built into the rest of the Outlook.

Summary and Findings

A. Key Aspects of the Revenue Estimates

- In August, the Revenue Estimating Conference for general revenue removed $356.4 million from the previous estimate for Fiscal Year 2007-08 based on actual revenue receipts for the year. For the current year (Fiscal Year 2008-09), an additional $1.8 billion was removed. The latter revision caused the estimated revenue collections for Fiscal Year 2008-09 to be less than the Fiscal Year 2007-08 receipts by $740 million, producing a decline of 3.1% before returning to a modest 5.5% growth rate in Fiscal Year 2009-10.

- General revenue collections are expected to grow by 8.2% in Fiscal Year 2010-11 and another 7.9% in Fiscal Year 2011-12.

Fiscal Year	March 2008 Forecast	August 2008 Forecast	Forecast Difference	Percentage Reduction	Incremental Growth	Growth
2005-06	27082.2	27082.2				8.5%
2006-07	26404.1	26404.1				-2.5%
2007-08	24468.5	24112.1	-356.4	-1.5%	-2292.0	-8.7%
2008-09	25137.6	23371.8	-1765.8	-7.0%	-740.3	-3.1%
2009-10	26817.2	24662.7	-2154.5	-8.0%	1290.9	5.5%
2010-11	28829.9	26688.0	-2141.9	-7.4%	2025.3	8.2%
2011-12	30949.9	28800.2	-2149.7	-6.9%	2112.2	7.9%

- Due to the current-year deficit, no dollars will be available to roll forward into Fiscal Year 2009-10 from Fiscal Year 2008-09. This means that the only non-recurring general revenue funds available for expenditure in Fiscal Year 2009-10 will be generated during that year.

- Non-recurring general revenue funds are insufficient to meet the non-recurring needs identified in the expenditure outlook for each of the next three years.

- The General Revenue Fund has a projected deficit in the current year that must be resolved prior to the end of the fiscal year (-$1,467.7 million). The Long-Range Financial Outlook assumes that this is accomplished with a non-recurring solution, however, until specific action is taken by the Legislative Budget Commission and/or the Legislature, the amount of required repayments of funds in future years cannot be determined.

- The Educational Enhancement, Principal State School and Tobacco Settlement Trust Funds will have little or no long-term growth. Each of the three funds begins the last year of the Outlook period with fewer total dollars for expenditure than were available in Fiscal Year 2007-08.

- The Educational Enhancement Trust Fund has a projected deficit in the current year that must be resolved prior to the end of the fiscal year (-$48.2 million). The Long-Range Financial Outlook assumes that this is accomplished with a non-recurring solution.

- Slot machine tax revenues are now being generated and are included in the dollars available from the Educational Enhancement Trust Fund. They are expected to reach $180.2 million in Fiscal Year 2009-10, $280.0 million in Fiscal Year 2010-11 and $294.8 million in Fiscal Year 2011-12.

B. Key Aspects of the Expenditure Demands

Education Requirements

- Recurring expenditures on education from the General Revenue Fund, the Educational Enhancement Trust Fund (EETF) and the Principal State School Trust Fund are projected to increase by 5.7% in Fiscal Year 2009-10, 4.1% in Fiscal Year 2010-11, and 3.3% in Fiscal Year 2011-12. These percentages produce dollar increases ranging from $520.9 million to $834.4 million per year for each of the next three fiscal years.

- Assuming that the legislatively authorized millage rates (i.e., 5.136 required, .498 discretionary, and .25 equalized discretionary) remain unchanged, recurring ad valorem revenues to support public school costs are expected to increase by $725.2 million, or 7.7%, by Fiscal Year 2011-12 due to the projected growth in the ad valorem tax roll.

- Total Florida Education Finance Program (FEFP) funds are increased by a historical average of 3.79% per FTE for each of the three forecast years.

- Additional state revenue of $287.7 million is provided by Fiscal Year 2011-12 to reduce the statewide average public school class size by two students annually until the constitutionally mandated maximum class sizes are achieved. This calculation is based on the need in kindergarten through grade 3 only, as the class sizes in grades 4-12 are at or near the constitutional maximums when measured at the school level.

- Requirements for K-12 FEFP workload, Class Size Reduction, and enrollment will cost $232.4 million of general revenue over the next three years, making this the budget's third highest projected expenditure for critical needs. Once the three-year average percent increase per FTE and other high priority needs for public schools are included, the projected expenditures for public schools rise to nearly $1.3 billion in general revenue for the next three years.

- Additional general revenue funds are included to replace funds from the Educational Enhancement Trust Fund (EETF). The replacement is necessary because EETF proceeds available for education are not projected to increase sufficiently during the forecast period to address the growing costs of the Bright Futures Program, as well as the other programs funded by the EETF.

- Post-secondary education expenditures (primarily workload, enrollment increases and matching funds for Challenge Grants for state universities and community colleges) cost $862 million of general revenue over the next three years.

Human Services Requirements

- Recurring general revenue requirements for the Human Services area are projected to increase by $604.6 million in Fiscal Year 2009-10, $234.1 million in Fiscal Year 2010-11 and $476.4 million in Fiscal Year 2011-12.

- Medicaid services are the primary driver of these increases, requiring additional spending of $514.4 million of general revenue in Fiscal Year 2009-10, $167.2 million in Fiscal Year 2010-11, and $404.1 million in Fiscal Year 2011-12. Most of the increase is related to the presumed reinstatement of Medicaid for the Aged and Disabled (MEDS/AD) and the Medically Needy programs beginning in Fiscal Year 2009-10.

- While the federal government has only reauthorized the SCHIP program through March 2009, the Outlook assumes that future federal allotments will continue at the federal fiscal year 2009 level. However, absent an increase in the federal allotment, sufficient federal funds are not available to fund estimated expenditures beginning in Fiscal Year 2010-11.

- While the federal government has only authorized the Temporary Assistance for Needy Families (TANF) program through Federal Fiscal Year 2010, the Outlook assumes that: (1) the program continues beyond that point with the same level of funding that currently exists, and (2) the state continues to meet maintenance-of-effort (MOE) requirements. Any changes to the program could potentially affect state expenditures beginning Fiscal Year 2009-10.

- The expenditure estimates also include the required increases for the tobacco education and prevention program for Fiscal Years 2009-10, 2010-11 and 2011-12.

Criminal Justice and Corrections Requirements

- Recurring general revenue requirements for the Criminal Justice and Corrections area are projected to increase by $167.7 million in Fiscal Year 2009-

10, $171.4 million in Fiscal Year 2010-11, and $176.2 million in Fiscal Year 2011-12.

- The projected increases in recurring expenditures for criminal justice and corrections programs in each of the next three fiscal years is based primarily on the need to fund increased operational costs, including new prison beds, at the Department of Corrections.

- Combined, prison bed construction and operation will require nearly $1.5 billion of general revenue over the next three years, making this area the single largest budget driver for critical needs (over 42% of the total critical needs in the first year).

Natural Resources, Environment, Growth Management and Transportation Requirements

- The recurring requirements for the Natural Resources, Environment, Growth Management and Transportation area do not increase during the Outlook period. The non-recurring requirements in each of the next three fiscal years exceed the Fiscal Year 2008-09 level. The totals are $168.2, $159.0 and $148.3 million, respectively.

- The Natural Resources, Environment, Growth Management, and Transportation section of the budget typically receives significant amounts of non-recurring general revenue to support ongoing programs after available trust fund resources have been maximized. These programs include wastewater, drinking water, and surface water projects, and capital improvements, maintenance, and repairs. The financial plan continues this source of funds for these programs based on historical funding averages, or current year funding levels. Also included are FEMA disaster match requirements for declared disasters.

General Government Requirements

- Recurring general revenue requirements for the General Government area are projected to increase by just 0.2% in each of the next three fiscal years (Fiscal Years 2009-10, 2010-11, and 2011-12). The non-recurring requirements in each of the next three fiscal years exceed the Fiscal Year 2008-09 level. The totals are $316.4, $301.0 and $294.7 million, respectively.

- Because of the unique nature of many of the programs in the General Government area, general revenue requirements are minimized and comprise only a small portion of the total budget. The Outlook assumes that available trust fund balances are fully utilized for each program before estimating the need for additional general revenue.

- Non-recurring funding is primarily provided for economic development programs; fiscally constrained counties to offset the reductions in ad valorem tax revenues; Workforce and Early Learning programs to replace one-time federal funding sources; and, energy grants.

Judicial Requirements

- Recurring general revenue requirements for the Judicial area are projected to increase by 1.2 to 1.4% in each of the next three fiscal years (Fiscal Years 2009-10, 2010-11, and 2011-12). In addition, non-recurring revenues are expected to increase by $7.9 million each year.

- The increases are largely related to the establishment of new judges and the funding of small county courthouses.

Statewide Distributions / Administered Funds

- State employee benefits and salaries, including pay package, health insurance and retirement, will cost nearly $450 million of general revenue over the next three years. This is the third largest driver of the state's critical needs.

- State employee salary increases are estimated to cost the General Revenue Fund $160.3 million in Fiscal Year 2009-10, $164.3 million in Fiscal Year 2010-11, and $168.4 million in Fiscal Year 2011-12. Roughly 70% of the total increased costs are funded through the General Revenue Fund.

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

- Fiscal Year 2009-2010:
  - Total general revenue available for appropriation is $24,741.7 million.
  - The base budget plus critical needs (annnualizations of current year activities, mandatory increases based on estimating conferences and other essential items) funded with general revenue are estimated to cost $26,142.0 million, plus $200 million for a relatively modest ending reserve balance. This figure grows to a total of $28,248 million when the other high priority needs are included.

- Combined, recurring and non-recurring general revenue program needs – even without the anticipated reserve – are greater than the available general revenue dollars, thereby creating a shortfall. All needs (including the reserve) outstrip available dollars by $3,506.3 million, creating a significant budget gap.

- Fiscal Strategies will be required to keep the budget in balance as constitutionally required. There will be no reserve of unallocated general revenue from the current year to address this shortfall – an amount that approaches 12.0% of the projected spending requirements – and other actions will be needed.

- Unless there is a three-fifths vote by each chamber of the Legislature, recurring adjustments will be needed because the shortfall exceeds the 3% constitutional limitation on the use of non-recurring revenue. This limitation was adopted by voters in the same constitutional amendment that requires the development of the Long-Range Financial Outlook.

- Because the required non-recurring adjustment to balance is greater than the non-recurring dollars available, one of three solutions would have to be implemented: (1) no new expenditures could be made from non-recurring dollars, (2) recurring expenditures would have to be reduced to generate funds for non-recurring expenditures, or (3) trust fund transfers would be needed to offset the non-recurring need.

OUTLOOK PROJECTION – FISCAL YEAR 2009-10 *(in millions)*			
	RECURRING	NON-RECURRING	TOTAL
GR AVAILABLE	$24,620.2	$ 121.4	$24,741.7
BASE BUDGET	$24,973.8	$ 0.0	$24,973.8
CRITICAL NEEDS	$ 637.8	$ 530.4	$ 1,168.2
HIGH PRIORITY	$ 1,206.1	$ 699.9	$ 1,905.9
Subtotal	$ -2,197.5	$ -1,108.8	$ -3,306.3
RESERVE	$ 0.0	$ 200.0	$ 200.0
BALANCE	**$ -2,197.5**	**$ -1,308.8**	**$ -3,506.3**

NOTE: Totals do not necessarily add due to rounding.

- With limited growth in revenues for the Educational Enhancement Trust Fund, the Principal State School Trust Fund and the Tobacco Settlement Trust Fund, the demand for general revenue dollars to support projected increases in recurring programs is heightened.

- Fiscal Years 2010-11 and 2011-12:
  - Fiscal Year 2010-11 and Fiscal Year 2011-12 both show projected budget needs significantly in excess of available revenue. Including the retention of a reserve in each year, Fiscal Year 2010-11 would have a maximum budget gap of $2,682.5 million and Fiscal Year 2011-12 would have a maximum budget gap of $2,016.8 million.
  - The available general revenue is insufficient to meet budget demands in the latter years of the plan unless prior actions are taken to reduce the recurring budget needs in subsequent years. If those actions are taken no later than 2009-10, the budget shortfall can be significantly reduced in 2010-11 and eliminated in 2011-12.

D. Analyzing the Result

Overall, projected general revenue growth (recurring plus non-recurring) is insufficient to support anticipated spending and minimal reserve requirements for Fiscal Years 2009-10, 2010-11 and 2011-12. Corrective actions will be required to bring the budget into balance. Furthermore, <u>RECURRING</u> general revenue demands exceed the amount of <u>RECURRING</u> general revenue available in each year of the forecast. This indicates that a structural imbalance is occurring. This situation cannot be addressed within the parameters of the constitutional amendment limiting the amount of non-recurring revenues that can be spent on recurring programs unless an extraordinary vote of the legislature is taken. Assuming sufficient non-recurring revenues were available, the extraordinary vote would have to be taken in every year of the plan. The combined total of needed non-recurring funds would be $7,605.6 million prior to taking into account a reserve balance or the actions to balance Fiscal Year 2008-09. It is highly unlikely that reserves of this magnitude would be available.

Alternatively, total estimated expenditures for future years would be constrained by the amount of recurring expenditure reductions taken in prior years.

GENERAL REVENUE OUTLOOK- COMPARISON OF ESTIMATED REVENUES TO ESTIMATED EXPENDITURES

TIER 1 ISSUES - CRITICAL NEEDS

NO FISCAL STRATEGIES --- NO RESERVE

($ MILLIONS)

	FY 2008-09			FY 2009-10			FY 2010-11			FY 2011-12		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Funds Available:												
August 15 REC Balance Forward	0.0	326.2	326.2	0*	0.0	0.0	0.0	0.0	0.0	0.0	112.7	112.7
August 15 REC Revenue Estimate	23,291.6	80.2	23,371.8	24,658.8	3.9	24,662.7	26,687.5	0.5	26,688.0	28,799.7	0.5	28,800.2
August 15 REC Non-operating Funds	-4.3	613.5	609.2	-4.3	105.5	101.2	-4.3	105.5	101.2	-4.3	105.5	101.2
New Issues - Florida Forever/Everglades Bonds			0.0	-34.3	12.0	-22.2	-68.6	12.0	-56.5	-102.8	12.0	-90.8
Transfer From Trust Funds			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funds Available	**23,287.3**	**1,019.9**	**24,307.2**	**24,620.2**	**121.4**	**24,741.7**	**26,614.6**	**118.0**	**26,732.7**	**28,692.6**	**230.7**	**28,923.3**
Estimated Expenditures:												
Base Budget				24,973.8	0.0	24,973.8	25,611.6	0.0	25,611.6	26,190.5	0.0	26,190.5
New Issues by GAA Section:												
Section 2 - Education	12,902.5	141.7	13,044.2	98.3	80.7	179.1	96.4	0.0	96.4	104.9	0.0	104.9
Section 3 - Human Services	7,109.5	48.0	7,157.5	237.3	0.0	237.3	198.0	0.0	198.0	440.8	0.0	440.8
Section 4 - Criminal Justice and Corrections	3,536.4	335.4	3,871.9	146.0	393.0	539.1	149.4	383.4	532.9	154.0	364.1	518.1
Section 5 - Natural Resources /Environment/Growth Management/Transportation	191.5	89.1	280.6	0.0	22.9	22.9	0.0	17.3	17.3	0.0	10.1	10.1
Section 6 - General Government	817.5	166.8	984.3	1.3	33.8	35.1	1.6	28.8	30.4	1.7	26.2	27.9
Section 7 - Judicial Branch	404.0	0.2	404.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Administered Funds - Statewide Issues	12.4	20.0	32.4	154.8	0.0	154.8	133.6	0.0	133.6	153.5	0.0	153.5
Total New Issues				637.8	530.4	1,168.2	579.0	429.5	1,008.5	854.9	400.4	1,255.3
Transfer to Budget Stabilization Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Estimated Expenditures	**24,973.8**	**801.1**	**25,774.9**	**25,611.6**	**530.4**	**26,142.0**	**26,190.5**	**429.5**	**26,620.0**	**27,045.4**	**400.4**	**27,445.8**
Ending Balance	**-1,686.5**	**218.8**	**-1,467.7**	**-991.3**	**-409.0**	**-1,400.3**	**424.1**	**-311.5**	**112.7**	**1,647.2**	**-169.7**	**1,477.4**

*Note: Fiscal Year 2009-10 contains no carry forward balance from Fiscal Year 2008-09 since the deficit shown in Fiscal Year 2008-2009 must be addressed prior to the end of the fiscal year. A non-recurring solution is assumed that has no impact on subsequent years.
**Note: Negative balances are not allowed to carry-forward to subsequent years; the assumption is that each year is addressed with a non-recurring solution..

GENERAL REVENUE OUTLOOK- COMPARISON OF ESTIMATED REVENUES TO ESTIMATED EXPENDITURES

TIER 2 ISSUES - CRITICAL NEEDS AND OTHER HIGH PRIORITY NEEDS

NO FISCAL STRATEGIES --- NO RESERVE

($ MILLIONS)

	FY 2008-09			FY 2009-10			FY 2010-11			FY 2011-12		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Funds Available:												
August 15 REC Balance Forward	0.0	326.2	326.2	0*	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
August 15 REC Revenue Estimate	23,291.6	80.2	23,371.8	24,658.8	3.9	24,662.7	26,687.5	0.5	26,688.0	28,799.7	0.5	28,800.2
August 15 REC Non-operating Funds	-4.3	613.5	609.2	-4.3	105.5	101.2	-4.3	105.5	101.2	-4.3	105.5	101.2
New Issues - Florida Forever/Everglades Bonds	0.0	0.0	0.0	-34.3	12.0	-22.2	-68.6	12.0	-56.5	-102.8	12.0	-90.8
Transfer From Trust Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funds Available	**23,287.3**	**1,019.9**	**24,307.2**	**24,620.2**	**121.4**	**24,741.7**	**26,614.6**	**118.0**	**26,732.7**	**28,692.6**	**118.0**	**28,810.6**
Estimated Expenditures:												
Base Budget				24,973.8	0.0	24,973.8	26,817.7	0.0	26,817.7	28,111.6	0.0	28,111.6
New Issues by GAA Section:												
Section 2 - Education	12,902.5	141.7	13,044.2	750.3	222.7	973.0	583.9	142.7	726.6	477.1	142.0	619.1
Section 3 - Human Services	7,109.5	48.0	7,157.5	604.6	108.0	712.6	234.1	95.5	329.6	476.4	85.5	561.9
Section 4 - Criminal Justice and Corrections	3,536.4	335.4	3,871.9	167.7	407.1	574.8	171.4	397.5	568.9	176.2	378.2	554.4
Section 5 - Natural Resources /Environment/Growth Management/Transportation	191.5	89.1	280.6	0.0	168.2	168.2	0.0	159.0	159.0	0.0	148.3	148.3
Section 6 - General Government	817.5	166.8	984.3	1.3	316.4	317.6	1.6	301.0	302.6	1.7	294.7	296.4
Section 7 - Judicial Branch	404.0	0.2	404.2	5.0	7.9	12.9	5.0	7.9	12.9	6.0	7.9	13.9
Administered Funds - Statewide Issues	12.4	20.0	32.4	315.1	0.0	315.1	297.9	0.0	297.9	321.9	0.0	321.9
Total New Issues				1,843.9	1,230.2	3,074.2	1,293.9	1,103.6	2,397.5	1,459.3	1,056.6	2,515.8
Transfer to Budget Stabilization Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Estimated Expenditures	**24,973.8**	**801.1**	**25,774.9**	**26,817.7**	**1,230.2**	**28,048.0**	**28,111.6**	**1,103.6**	**29,215.2**	**29,570.9**	**1,056.6**	**30,627.4**
Ending Balance	**-1,686.5**	**218.8**	**-1,467.7**	**-2,197.5**	**-1,108.8**	**-3,306.3**	**-1,496.9**	**-985.6**	**-2,482.5**	**-878.3**	**-938.5**	**-1,816.8**

*Note: Fiscal Year 2009-10 contains no carry forward balance from Fiscal Year 2008-09 since the deficit shown in Fiscal Year 2008-2009 must be addressed prior to the end of the fiscal year. A non-recurring solution is assumed that has no impact on subsequent years.

**Note: Negative balances within the planning period are not allowed to carry-forward to subsequent years; the assumption is that each year is addressed with a non-recurring solution..

EDUCATIONAL ENHANCEMENT TRUST FUND - FUNDS AVAILABLE PROJECTION ($ MILLIONS)

	FY 2008-09			FY 2009-10			FY 2010-11			FY 2011-12		
Funds Available:	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Balance Forward	0.0	91.8	91.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue Estimate	1,523.8	-156.6	1,367.2	1,571.3	-99.8	1,471.5	1,589.6	0.0	1,589.6	1,625.1	0.0	1,625.1
Non-operating Funds	3.0	57.8	60.8	3.0	0.0	3.0	3.0	0.0	3.0	3.0	0.0	3.0
Total Funds Available	**1,526.8**	**-7.0**	**1,519.8**	**1,574.3**	**-99.8**	**1,474.5**	**1,592.6**	**0.0**	**1,592.6**	**1,628.1**	**0.0**	**1,628.1**
Estimated Expenditures:												
Base Budget				1,520.4	0.0	1,520.4	1,474.5	0.0	1,474.5	1,592.6	0.0	1,592.6
Increase/Decrease				-45.9	0.0	-45.9	118.1	0.0	118.1	35.5	0.0	35.5
Total Estimated Expenditures	**1,520.5**	**47.5**	**1,568.0**	**1,474.5**	**0.0**	**1,474.5**	**1,592.6**	**0.0**	**1,592.6**	**1,628.1**	**0.0**	**1,628.1**
Ending Balance	**6.3**	**-54.5**	**-48.2**	**99.8**	**-99.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

PRINCIPAL STATE SCHOOL TRUST FUND - FUNDS AVAILABLE PROJECTION ($ MILLIONS)

	FY 2008-09			FY 2009-10			FY 2010-11			FY 2011-12		
Funds Available:	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Balance Forward	0.0	95.5	95.5	0.0	87.1	87.1	0.0	0.0	0.0	0.0	0.0	0.0
Transfers from Abandoned Property TF	150.4	0.0	150.4	153.5	0.0	153.5	165.5	0.0	165.5	173.8	0.0	173.8
Other 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	**154.2**	**95.5**	**249.7**	**157.3**	**87.1**	**244.4**	**169.3**	**0.0**	**169.3**	**177.6**	**0.0**	**177.6**
Estimated Expenditures:												
Base Budget	114.4	0.0	114.4	114.3	0.0	114.3	244.4	0.0	244.4	169.3	0.0	169.3
Increase/Decrease	0.0	48.2	48.2	130.1	0.0	130.1	-75.1	0.0	-75.1	8.3	0.0	8.3
Total Estimated Expenditures	**114.4**	**48.2**	**162.6**	**244.4**	**0.0**	**244.4**	**169.3**	**0.0**	**169.3**	**177.6**	**0.0**	**177.6**
Ending Balance	**39.8**	**47.3**	**87.1**	**-87.1**	**87.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

TOBACCO SETTLEMENT TRUST FUND - FUNDS AVAILABLE PROJECTION ($ MILLIONS)

	FY 2008-09			FY 2009-10			FY 2010-11			FY 2011-12		
Funds Available:	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Balance Forward	0.0	25.1	25.1	0.0	4.4	4.4	0.0	0.0	0.0	0.0	1.9	1.9
Revenue Estimate	389.9	0.0	389.9	398.7	0.0	398.7	402.8	0.0	402.8	408.4	0.0	408.4
Non-operating Funds	52.7	354.4	407.1	54.5	0.0	54.5	58.8	0.0	58.8	62.6	0.0	62.6
Potential Reversions	0.0	4.0	4.0									
Total Funds Available	**442.6**	**383.5**	**826.1**	**453.2**	**4.4**	**457.6**	**461.6**	**0.0**	**461.6**	**471.0**	**1.9**	**472.9**
Estimated Expenditures:												
Base Budget				449.4	0.0	449.4	457.6	0.0	457.6	459.7	0.0	459.7
Increase/Decrease				8.2	0.0	8.2	2.1	0.0	2.1	0.3	0.0	0.3
Total Estimated Expenditures	**449.4**	**372.3**	**821.7**	**457.6**	**0.0**	**457.6**	**459.7**	**0.0**	**459.7**	**460.0**	**0.0**	**460.0**
Ending Balance	**-6.8**	**11.2**	**4.4**	**-4.4**	**4.4**	**0.0**	**1.9**	**0.0**	**1.9**	**11.0**	**1.9**	**12.9**

POTENTIAL CONSTITUTIONAL ISSUES

In 2004, a constitutional amendment passed that requires initiative petitions be filed with the Secretary of State by February 1st 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 2008, the required number of valid signatures was 611,009.

Section 15.21, Florida Statutes, further requires the Secretary of State to "immediately submit an initiative petition to the Attorney General and to the Financial Impact Estimating Conference" once the certified forms "equal...10 percent of the number of electors statewide and in at least one-fourth of the congressional districts required by s. 3, Art XI of the State Constitution." For 2008, this means that there are at least 61,113 valid and qualifying signatures. Upon receipt, the Financial Impact Estimating Conference (FIEC) has 45 days to complete an analysis and financial impact statement to be placed on the ballot (s.100.371, Florida Statutes).

The initiatives on the chart below have met the threshold and triggered FIEC Review. The respective Conferences adopted the associated statements; however, the underlying amendments are in varying stages of activation. Accordingly, the amendments are grouped by these stages: (1) amendments filed by petition initiative that are included on the 2008 ballot; (2) statements approved for inclusion on the 2010 ballot (assuming the requisite signatures are received); and, (3) statements still undergoing review by the Supreme Court for inclusion in 2010.

Amendments on 2008 Ballot	
Florida Marriage Protection Amendment	*The direct financial impact this amendment will have on state and local government revenues and expenditures cannot be determined, but is expected to be minor.*
Statements Approved for 2010 Ballot	
Funding of Embryonic Stem Cell Research	*This amendment requires the state to spend $20 million a year for ten years.*
Initiative Directing Manner by which Sales Tax Exemptions Are Granted by the Legislature	*The amendment will not have an impact on state and local government revenues or expenses.*

Prohibiting State Spending for Experimentation that Involves the Destruction of a Live Human Embryo	*The amendment is not expected to have an impact on state or local government expenses.*
Statements Pending Approval for 2010 Ballot	
1.35% Property Tax Cap, Unless Voter Approved	*The amendment will reduce annual total school, county, municipal and special district property tax revenues by at least $6 billion, or 17%, based on 2007 (non-school) and 2008 (school) tax rates. Legislative implementation will likely produce greater reductions and will determine how each type and unit of local government is affected, but these impacts cannot be determined without legislative action. Local government expenditures will be reduced unless replacement revenues are enacted.*
Florida Growth Management Initiative Giving Citizens the Right to Decide Local Growth Management Plan Changes	*The direct impact of this amendment on local government expenditures cannot be determined precisely. Local governments will incur significant costs to establish and administer the new Florida Growth Management Initiative petition process. Additional costs will be incurred for petition notification and signature collection, as well as ballot preparation and associated expenses for conducting any required referendum. The direct impact on state government expenditures will be insignificant. There will be no direct impact on government revenues.*
Referenda Required for Adoption and Amendment of Local Government Comprehensive Land Use Plans	*The direct impact of this amendment on local government expenditures cannot be determined precisely. It is probable that local governments will incur significant costs (millions of dollars statewide) with actual costs dependent upon the frequency and method of the referenda. Costs will include those for ballot preparation and additional administrative costs and expenses for the referenda. The direct impact on state government expenditures will be insignificant. There will be no direct impact on government revenues.*

Standards for Legislature to Follow in Congressional Redistricting	*The amendment's fiscal impact cannot be determined precisely. State government will probably incur increased costs (millions of dollars), including attorney and expert witness fees, due to expected additional litigation regarding the application and interpretation of the amendment standards as they relate to proposed redistricting plans. Also, state courts will likely incur additional costs to preside over hearings and render rulings. There is no expected impact to local government expenditures or government revenues.*
Standards for Legislature to Follow in Legislative Redistricting	*The amendment's fiscal impact cannot be determined precisely. State government will probably incur increased costs (millions of dollars), including attorney and expert witness fees, due to expected additional litigation regarding the application and interpretation of the amendment standards as they relate to proposed redistricting plans. Also, state courts will likely incur additional costs to preside over hearings and render rulings. There is no expected impact to local government expenditures or government revenues.*

In addition to the amendment filed by petition initiative, eight proposed constitutional changes have been placed on the 2008 ballot by either the Legislature or the Florida Taxation and Budget Reform Commission. Financial impact statements are not required for the non-petition proposals.

Title	Ballot #	Sponsor
Relating to Property Rights/Ineligible Aliens	(1)	Florida Legislature
Florida Marriage Protection Amendment	(2)	Petition Initiative
CHANGES AND IMPROVEMENTS NOT AFFECTING THE ASSESSED VALUE OF RESIDENTIAL REAL PROPERTY	(3)	Taxation and Budget Reform Commission
PROPERTY TAX EXEMPTION OF PERPETUALLY CONSERVED LAND; CLASSIFICATION AND ASSESSMENT OF LAND USED FOR CONSERVATION	(4)	Taxation and Budget Reform Commission
ELIMINATING STATE REQUIRED SCHOOL PROPERTY TAX AND REPLACING WITH EQUIVALENT STATE REVENUES TO FUND EDUCATION	(5)	Taxation and Budget Reform Commission
ASSESSMENT OF WORKING WATERFRONT PROPERTY BASED UPON CURRENT USE	(6)	Taxation and Budget Reform Commission

RELIGIOUS FREEDOM	(7)	Taxation and Budget Reform Commission
LOCAL OPTION COMMUNITY COLLEGE FUNDING	(8)	Taxation and Budget Reform Commission
REQUIRING 65 PERCENT OF SCHOOL FUNDING FOR CLASSROOM INSTRUCTION; STATE'S DUTY FOR CHILDREN'S EDUCATION	(9)	Taxation and Budget Reform Commission

Fiscal Strategies

As explained previously, the charts entitled "General Revenue Fund – Comparison of Estimated Revenues to Estimated Expenditures" simply summarize the information contained and discussed within the Outlook. In essence, they are baseline forecasts of the State's most pressing needs. As such, they do not purport to show the final budget that the Legislature will ultimately pass in any given year.

The "Potential Constitutional Issues" and other considerations included at the end of each expenditure section present inherent risks to the forecasted budget. In addition, the Legislature will need to choose among a number of fiscal strategies to balance the budget which will alter the forecast as well. To meet the constitutional requirements for this document, ***SCENARIO "A"*** and ***SCENARIO "B"*** *are included to demonstrate the potential impact of the most likely choices. The unique assumptions used for these scenarios are not built into the rest of the Outlook.*

Fiscal Strategies will be required to address the projected gap between revenues and expenditures no later than Fiscal Year 2008-09 to cure the current year deficit and Fiscal Year 2009-10 to address the projected budget shortfall. There will be no available reserve of general revenue to address next year's shortfall – an amount that approaches 12.0% of the projected budget need – and other actions will be needed to keep the budget in balance as constitutionally required.

Essentially, there are four types of strategies:

- Budget Reductions and Reduced Growth
- Trust Fund Transfers or Sweeps
- Revenue Enhancements and Funding Redirections
- Any Combination of the Above

With the exception of trust fund transfers or sweeps that are reevaluated each year, these strategies can be deployed on a recurring or non-recurring basis. When they are used to bring about a recurring change, they also have an impact on the following fiscal years.

Depending on the specific strategy selected, there may be a greater than one-to-one impact on subsequent years. For example, a budget reduction in year one that affects a single item in the budget that has been growing faster than the budget as a whole will further reduce the base budget growth beyond the initial impact of the reduction. Similarly recurring revenue enhancements and funding redirections will likely have different impacts in subsequent years. Because this document does not address specific details of strategies, the scenarios do not attempt to treat these vagaries. This means that actual legislative actions may have slightly different results than those shown here.

Within the Outlook window, at least some recurring adjustments are needed because the combined projected gaps exceed $7.6 billion. Non-recurring spending reductions and trust fund sweeps – in isolation – are highly unlikely to generate this level of relief.

In addition, the 3% constitutional limitation on the use of non-recurring revenue to fund recurring expenditures will be a factor. To use more than an amount of non-recurring funds equal to 3% of the total general revenue funds estimated to be available requires a three-fifths vote of the membership of each house.

Moreover, innovative bonding strategies will be of limited use. The expected debt issuance for future years does not currently include any additional bonding for extending the Florida Forever and Everglades bond programs authorized during the 2008 Legislative Session. The Outlook otherwise assumes that these bonding programs will continue uninterrupted. With the projected benchmark ratio approaching the 7% cap without the continuation of these programs (it is projected to reach 6.8% for 2009 and peak at 6.9% for 2010 before improving), there is little room to do anything more in the near-term.

- I -

SCENARIO "A" assumes that the Legislature chooses to fully clear the Fiscal Year 2008-09 deficit with a combination of a transfer from the Budget Stabilization Fund (BSF) and recurring reductions to the budget. Section 77 of the General Appropriations Act and Section 47 of the Implementing Bill authorize the Governor to submit a budget amendment to the Legislative Budget Commission for up to $672.4 million from the BSF and up to $1 billion from the Lawton Chiles Endowment Fund to cure any current year deficits. Since the Governor has submitted the BSF amendment for the entire amount, that action is assumed in the strategy. Restoration must be made by making five equal annual transfers from the General Revenue Fund, beginning in the third fiscal year following that in which the expenditure is made. This repayment is also taken into account.

Scenario "A" further assumes that all future recurring shortfalls are fully addressed by recurring solutions. In this regard, the use of non-recurring revenues to offset recurring problems is not allowed. Further, non-recurring reductions are limited to the amount of proposed non-recurring expenditures – shifting the difference to additional recurring reductions. And finally, a minimum reserve requirement of $200 million is in place throughout the three years of the forecast.

A. Key Findings

- Fiscal Years 2008-09 and 2009-2010:

  - The strategy begins in Fiscal Year 2008-09 with two actions:
    - $672.4 million non-recurring transfer from the BSF.
    - Recurring budget reductions of $795.3 million by the Legislature.

    These actions completely alleviate the Fiscal Year 2008-09 deficit, but leave no reserve.

  - To develop the $200 million reserve in Fiscal Year 2009-10, the shortfall increases from the $3,306.3 million shown in the baseline scenario to $3,506.3 million in Fiscal Year 2009-10. However, the base budget is reduced from $24,973.8 million to $24,178.5 million due to the 2008-09 recurring budget reductions. The total remaining shortfall is $2,711.0 million.

  - Adjustments are made to completely eliminate the projected recurring and non-recurring shortfalls. As shown in the worksheet, the adjustments are in the form of budget reductions and reduced growth, the first of the four fiscal strategies shown above.

  - An alternative to budget reductions and reduced growth would be the deployment of revenue enhancements and funding redirections. The bottom line would be the same; however, the funds available would increase by the amount of the shortfall and no budget adjustments would be made. Similarly, trust fund transfers could be substituted for the non-recurring portion of the shortfall.

SCENARIO "A" – FISCAL YEAR 2009-10 *(in millions)*			
	RECURRING	NON-RECURRING	TOTAL
GR AVAILABLE	$24,620.2	$ 121.4	$24,741.7
EXPENDITURES	$26,022.4	$ 1,230.2	$27,252.7
ADJUSTMENT	**$ -1,480.7**	**$ -1,230.3**	**$ -2,711.0**
BALANCE	$ 78.5	$ 121.5	$ 200.0

- Fiscal Years 2010-11 and 2011-12:

  - The recurring budget adjustments taken in Fiscal Years 2008-09 and 2009-10 substantially reduce the adjustments that have to be taken in Fiscal Year 2010-11 to $206.5 million in non-recurring dollars. However, no additional adjustment is needed in Fiscal Year 2011-12.

- The first of five repayments is made to the BSF in Fiscal Year 2011-12 (134.5 million).

- At the end of the three-year planning horizon, a reserve of $524.7 million is left.

B. Analyzing the Result

Deploying this scenario, the Legislature faces recurring budget adjustments in one of the three years in the planning horizon. In the first year of the Outlook (2009-10), the total adjustments would still be significant, amounting to nearly 10% of the projected budget need. Further actions would be needed in the second year to address the non-recurring problems.

- II -

SCENARIO "B" assumes that the Legislature chooses to fully clear the Fiscal Year 2008-09 deficit with a combination of a transfer from the Budget Stabilization Fund (BSF) and non-recurring trust fund sweeps. Section 77 of the General Appropriations Act and Section 47 of the Implementing Bill authorize the Governor to submit a budget amendment to the Legislative Budget Commission for up to $672.4 million from the BSF and up to $1 billion from the Lawton Chiles Endowment Fund to cure any current year deficits. Since the Governor has submitted the BSF amendment for the entire amount, that action is assumed in the strategy. Restoration must be made by making five equal annual transfers from the General Revenue Fund, beginning in the third fiscal year following that in which the expenditure is made. This repayment is also taken into account.

The additional trust fund sweeps ($795.3) are assumed to come from trust funds other than the Lawton Chiles Endowment Fund (LCEF). If the LCEF was accessed, the initial repayment of $159.1 million would have to be included in Fiscal Year 2011-12 expenditures.

Scenario "B" further assumes that all future recurring shortfalls are fully addressed by recurring solutions. In this regard, the use of non-recurring revenues to offset recurring problems is not allowed. Further, non-recurring reductions are limited to the amount of proposed non-recurring expenditures – shifting the difference to additional recurring reductions. And finally, a minimum reserve requirement of $200 million is in place throughout the three years of the forecast.

A. Key Findings

- Fiscal Years 2008-09 and 2009-2010:

- In Fiscal Year 2008-09, $1,467.7 million of non-recurring funds cure the deficit, facilitating the use of $1,686.5 million of non-recurring funds to support recurring programs.

- Because the prior year actions were non-recurring, there is no effect on the Fiscal Year 2009-10 budget needs. There is a total budget gap of $3,506.3 billion, once the $200 million reserve is addressed.

- Adjustments are made to completely eliminate the projected recurring and non-recurring shortfalls. As shown in the worksheet, the adjustments are in the form of budget reductions and reduced growth, the first of the four fiscal strategies shown above.

- An alternative to budget reductions and reduced growth would be the deployment of revenue enhancements and funding redirections. The bottom line would be the same; however, the funds available would increase by the amount of the shortfall and no budget adjustments would be made. Similarly, trust fund transfers could be substituted for the non-recurring portion of the shortfall.

SCENARIO "B" – FISCAL YEAR 2009-10 *(in millions)*			
	RECURRING	NON-RECURRING	TOTAL
GR AVAILABLE	$24,620.2	$ 121.4	$24,741.7
EXPENDITURES	$26,817.7	$ 1,230.2	$28,048.0
ADJUSTMENT	**$ -2,276.0**	**$ -1,230.3**	**$ -3,506.3**
BALANCE	$ 78.5	$ 121.5	$ 200.0

- Fiscal Years 2010-11 and 2011-12:

  - The recurring budget adjustments made in Fiscal Year 2009-10 mean that no further recurring adjustments have to be taken in Fiscal Year 2010-11. However, a $206.5 million non-recurring shortfall has to be addressed by further reductions.

  - At the end of the three-year planning horizon, a reserve of $524.7 million is left after the initial repayment to the BSF.

B. Analyzing the Result

Deploying this scenario, the Legislature faces recurring budget adjustments in only one of the three years in the planning horizon; however, the size of the adjustment is much larger in Scenario B than in Scenario A. Under Scenario A, the Legislature spread the size of the adjustment over two years (2008-09 and 2009-10). In Scenario B, the Legislature increases the need for significant budget reductions in a single year, Fiscal Year 2009-10. Further actions would be needed in only one of the remaining two years to address the non-recurring problems.

Fiscal Strategies ~ Worksheets

SCENARIO "A"

GENERAL REVENUE OUTLOOK- COMPARISON OF ESTIMATED REVENUES TO ESTIMATED EXPENDITURES

TIER 2 ISSUES - CRITICAL NEEDS AND OTHER HIGH PRIORITY NEEDS

FISCAL STRATEGY #1 - FULLY CLEAR FY 2008-09 DEFICIT WITH A COMBINATION OF BSF TRANSFER AND RECURRING REDUCTIONS

($ MILLIONS)

	FY 2008-09			FY 2009-10			FY 2010-11			FY 2011-12		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Funds Available:												
August 15 REC Balance Forward	0.0	326.2	326.2	0.0	0.0	0.0	0.0	200.0	200.0	0.0	200.0	200.0
August 15 REC Revenue Estimate	23,291.6	80.2	23,371.8	24,658.8	3.9	24,662.7	26,687.5	0.5	26,688.0	28,799.7	0.5	28,800.2
August 15 REC Non-operating Funds	-4.3	613.5	609.2	-4.3	105.5	101.2	-4.3	105.5	101.2	-4.3	105.5	101.2
New Issues - Florida Forever/Everglades Bonds	0.0	0.0	0.0	-34.3	12.0	-22.2	-68.6	12.0	-56.5	-102.8	12.0	-90.8
Transfer From Trust Funds - **BSF**	**0.0**	**672.4**	**672.4**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funds Available	**23,287.3**	**1,692.3**	**24,979.6**	**24,620.2**	**121.4**	**24,741.7**	**26,614.6**	**318.1**	**26,932.7**	**28,692.6**	**318.0**	**29,010.6**
Estimated Expenditures:												
Base Budget				24,178.5	0.0	24,178.5	24,541.7	0.0	24,541.7	25,835.6	0.0	25,835.6
New Issues by GAA Section:												
Section 2 - Education	12,902.5	141.7	13,044.2	750.3	222.7	973.0	583.9	142.7	726.6	477.1	142.0	619.1
Section 3 - Human Services	7,109.5	48.0	7,157.5	604.6	108.0	712.6	234.1	95.5	329.6	476.4	85.5	561.9
Section 4 - Criminal Justice and Corrections	3,536.4	335.4	3,871.9	167.7	407.1	574.8	171.4	397.5	568.9	176.2	378.2	554.4
Section 5 - Natural Resources /Environment/Growth Management/Transportation	191.5	89.1	280.6	0.0	168.2	168.2	0.0	159.0	159.0	0.0	148.3	148.3
Section 6 - General Government	817.5	166.8	984.3	1.3	316.4	317.6	1.6	301.0	302.6	1.7	294.7	296.4
Section 7 - Judicial Branch	404.0	0.2	404.2	5.0	7.9	12.9	5.0	7.9	12.9	6.0	7.9	13.9
Administered Funds - Statewide Issues	12.4	20.0	32.4	315.1	0.0	315.1	297.9	0.0	297.9	321.9	0.0	321.9
Total New Issues				1,843.9	1,230.2	3,074.2	1,293.9	1,103.6	2,397.5	1,459.3	1,056.6	2,515.8
Recurring Reductions to Budget	**-795.3**	**0.0**	**-795.3**									
Transfer to Budget Stabilization Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	**134.5**	**134.5**
Adjustment Needed to Balance with $200 Million Reserve			**0.0**	**-1,480.7**	**-1,230.3**	**-2,711.0**		**-206.5**	**-206.5**			**0.0**
Total Estimated Expenditures	**24,178.5**	**801.1**	**24,979.6**	**24,541.7**	**-0.1**	**24,541.7**	**25,835.6**	**897.1**	**26,732.7**	**27,294.9**	**1,191.0**	**28,485.9**
Ending Balance	**-891.2**	**891.2**	**0.0**	**78.5**	**121.5**	**200.0**	**779.1**	**-579.1**	**200.0**	**1,397.7**	**-873.0**	**524.7**

SCENARIO "B"

GENERAL REVENUE OUTLOOK- COMPARISON OF ESTIMATED REVENUES TO ESTIMATED EXPENDITURES

TIER 2 ISSUES - CRITICAL NEEDS AND OTHER HIGH PRIORITY NEEDS

FISCAL STRATEGY #2- FULLY CLEAR FY 2008-09 DEFICIT WITH A COMBINATION OF BSF TRANSFER AND TRUST FUND SWEEPS

($ MILLIONS)

	FY 2008-09			FY 2009-10			FY 2010-11			FY 2011-12		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Funds Available:												
August 15 REC Balance Forward	0.0	326.2	326.2	0.0	0.0	0.0	0.0	200.0	200.0	0.0	200.0	200.0
August 15 REC Revenue Estimate	23,291.6	80.2	23,371.8	24,658.8	3.9	24,662.7	26,687.5	0.5	26,688.0	28,799.7	0.5	28,800.2
August 15 REC Non-operating Funds	-4.3	613.5	609.2	-4.3	105.5	101.2	-4.3	105.5	101.2	-4.3	105.5	101.2
New Issues - Florida Forever/Everglades Bonds	0.0	0.0	0.0	-34.3	12.0	-22.2	-68.6	12.0	-56.5	-102.8	12.0	-90.8
Transfer From Trust Funds - **BSF & TF SWEEPS***	**0.0**	**1,467.7**	**1,467.7**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funds Available	**23,287.3**	**2,487.6**	**25,774.9**	**24,620.2**	**121.4**	**24,741.7**	**26,614.6**	**318.1**	**26,932.7**	**28,692.6**	**318.0**	**29,010.6**
Estimated Expenditures:												
Base Budget				24,973.8	0.0	24,973.8	24,541.7	0.0	24,541.7	25,835.6	0.0	25,835.6
New Issues by GAA Section:												
Section 2 - Education	12,902.5	141.7	13,044.2	750.3	222.7	973.0	583.9	142.7	726.6	477.1	142.0	619.1
Section 3 - Human Services	7,109.5	48.0	7,157.5	604.6	108.0	712.6	234.1	95.5	329.6	476.4	85.5	561.9
Section 4 - Criminal Justice and Corrections	3,536.4	335.4	3,871.9	167.7	407.1	574.8	171.4	397.5	568.9	176.2	378.2	554.4
Section 5 - Natural Resources/Environment /Growth Management/Transportation	191.5	89.1	280.6	0.0	168.2	168.2	0.0	159.0	159.0	0.0	148.3	148.3
Section 6 - General Government	817.5	166.8	984.3	1.3	316.4	317.6	1.6	301.0	302.6	1.7	294.7	296.4
Section 7 - Judicial Branch	404.0	0.2	404.2	5.0	7.9	12.9	5.0	7.9	12.9	6.0	7.9	13.9
Administered Funds - Statewide Issues	12.4	20.0	32.4	315.1	0.0	315.1	297.9	0.0	297.9	321.9	0.0	321.9
Total New Issues				1,843.9	1,230.2	3,074.2	1,293.9	1,103.6	2,397.5	1,459.3	1,056.6	2,515.8
Recurring Reductions to Budget	**0.0**	**0.0**	**0.0**									
Transfer to Budget Stabilization Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	**134.5**	**134.5**
Adjustment Needed to Balance with $200 Million Reserve			**0.0**	**-2,276.0**	**-1,230.3**	**-3,506.3**		**-206.5**	**-206.5**			**0.0**
Total Estimated Expenditures	**24,973.8**	**801.1**	**25,774.9**	**24,541.7**	**-0.1**	**24,541.7**	**25,835.6**	**897.1**	**26,732.7**	**27,294.9**	**1,191.0**	**28,485.9**
Ending Balance	**-1,686.5**	**1,686.5**	**0.0**	**78.5**	**121.5**	**200.0**	**779.1**	**-579.1**	**200.0**	**1,397.7**	**-873.0**	**524.7**

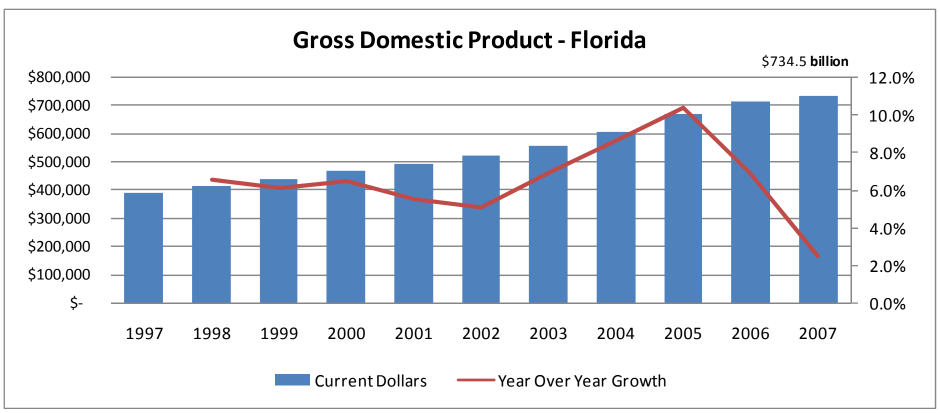
*NOTE: The Trust Fund Sweeps are assumed to not include the Lawton Chiles Endowment Fund. If the Endowment Fund were part of the mix, the payback would begin in 2011-12 with an initial payment of $159.1 million.

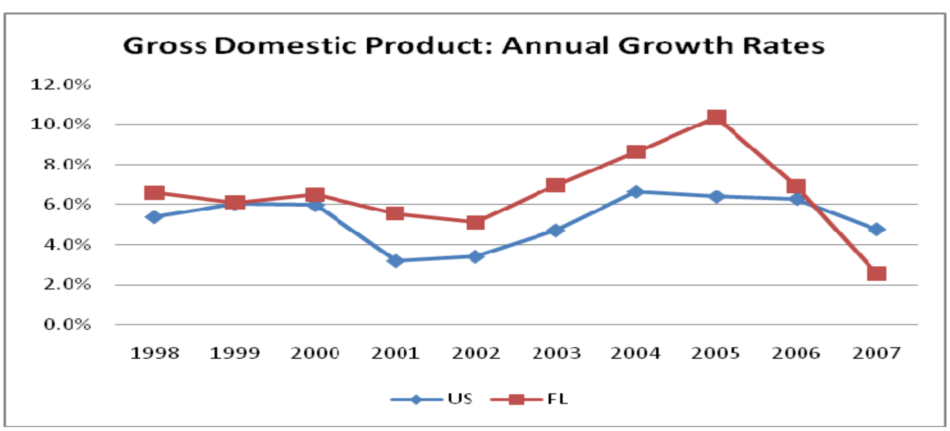
FLORIDA ECONOMIC OUTLOOK

The Florida Economic Estimating Conference met in July of 2008 to revise the forecast for the state's economy. As further updated by the Legislative Office of Economic and Demographic Research, the latest forecast reveals an economy burdened in the short run by national and state fiscal shocks, but still showing underlying resilience in the longer-term. Population growth – while slowing – continues to be the state's primary engine of economic growth, fueling both future employment and income growth. All of the comments below are directed to the immediate planning horizon extending through Fiscal Year 2011-12.

RECAP ~ Fiscal Year 2007-08 History

Change in Gross Domestic Product (GDP) has been increasingly used to compare states. While Florida has outperformed the nation as a whole in nine of the past ten years, two of these years (2004 and 2005) were greatly influenced by the activity sparked by the 2004 and 2005 storms (primarily through insurance payments). In 2006, Florida returned to the national growth level before dropping below it in 2007 (4.7% US versus 2.5% FL).





Other factors are used to gauge the health of an *individual state*. Typically, the two principal economic measures are income and employment growth. Compared to the estimate made in July 2007, these measures showed that Florida grew at a generally slower pace in Fiscal Year 2007-08 than originally anticipated. Personal income growth, previously estimated at 5.6%, ultimately reached only 4.8% for Fiscal Year 2007-08. Similarly, employment was down over the prior year by -0.4%, when growth of 0.9% had been expected for 2007-08.

Within the employment data, many sectors found negative territory in Fiscal Year 2007-08. Hardest hit, construction employment experienced a loss of 11.8% over of the prior year. This sector was joined by additional employment losses in Manufacturing (-5.0%), Natural Resources & Mining (-0.8%), Financial Activities (-1.2%), and Information Services (-0.7%). Other areas were also affected by the weaker jobs picture: Wages & Salaries had been estimated to grow 3.9% in the July 2007 forecast, but had only achieved 2.4% at the end of the year, and the annual unemployment rate went from an anticipated 3.71% to an actual 4.67%.

Largely, these changes were related to Florida's troubled housing market and the worsening national outlook. The growing inventory of unsold houses coupled with the spreading credit crisis dampened residential construction activity throughout the entire year. Last July, the Florida Economic Estimating Conference (FEEC) had expected just over 122,000 private housing starts for the year – only 45% of the level achieved in the 2005-06 banner year. In fact, new activity plummeted to 29% of the 2005-06 level (78,800 private housing starts). Much of this loss was attributable to single family starts which fell 48.7% from the prior year to a level of 45,000 units. Similarly, multi-family starts fell 55.9% over the prior year. In yet another manifestation of the large housing market adjustment still facing Florida, existing single family home sales ended the 2007 calendar year 29% down in volume from the prior year, but the median home price fell only -5%.

Florida's economy has essentially moved through three waves of responses to financial shocks. First, as explained above, 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 sales volume started to decline in response to extraordinarily high prices and increasing mortgage rates. By the summer of 2006, home prices began to fall as well, and owners started to experience negative wealth effects from the deceleration and losses in property value. Because owners perceived themselves as less wealthy, they began to curtail expenditures on discretionary items, largely big-ticket in nature. By the late summer of 2007, Florida's homegrown problems with the housing market were giving way to several national phenomena: a slow slide towards recession and a burgeoning credit crisis.

FORECAST ~ Fiscal Years 2008-09 (base) through 2011-12

By the end of May 2008, median prices for existing single family home sales had fallen 15% on a year-over-year basis, and the national credit market problems were causing a detectable drain on the economy. As the subprime mortgage difficulties continued to 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. Further straining Florida households and businesses are high food and energy prices, and the credit crisis has spread well beyond the subprime market to affect the broader financial sector's ability to lend money. The latest forecast anticipates that normal economic growth will not return to Florida until the latter half of Fiscal Year 2009-10, and virtually all of the risks remain to the downside.

Lower Income Growth Dampens Consumer Spending...Nominal personal income is projected to grow a modest 2.5% in Fiscal Year 2008-09, well below the 3.6% projection in the national forecast. However, Florida's income growth is expected to begin recovery next year (4.2%) and then return to normal levels in Fiscal Year 2010-11, ending the forecast period with 6.7% growth. Per capita income as adjusted for inflation exhibits the same pattern—in real terms, income is expected to decline 2.7% this year, but end the planning period with a more respectable 3.3% growth rate. Much of the future strength in personal income can be attributed to the expected recovery from recessionary conditions with wages and salaries following the return to growth in real economic activity.

Weaker Employment Conditions in the Short-run...According to the latest nationwide data, Florida was losing jobs (a job growth rate of -1.2% in July) while the nation as a whole barely turned negative (-0.05%). Florida's rate represents a loss of 96,800 jobs with the state's negative over-the-year growth rate actually beginning in September 2007. Fifty-one percent of the state's job losses are directly due to the construction downturn. Overall employment is projected to further decline -0.1% in Fiscal Year 2008-09 and then increase by 1.7% in Fiscal Year 2009-10, 2.5% in Fiscal Year 2010-11, and 2.6% in 2011-12. Lagging slightly behind, the unemployment rate is expected to hit an annual high of 6.03% in Fiscal Year 2009-10 before slowly returning to more normal levels.

United States and Florida Unemployment Rates
Seasonally Adjusted

Source: Florida Agency for Workforce Innovation, Labor Market Statistics Center, Local Area Unemployment Statistics Program in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

Florida's latest unemployment rate (6.1% in July) was above the national unemployment rate. This is the highest rate in Florida since January 1995. The estimate anticipates that the elevated levels persist in the near-term – annual rates of 5.85%, 6.03%, and 5.49%; they either match or exceed the national projections throughout the planning horizon.

Currently, the fastest growing industry in Florida is Education and Health Services, with most of the growth attributable to gains in Health Services. Beginning in Fiscal Year 2009-10 and continuing throughout the forecast period, the growth industry will shift to the professional and business services sector. This employment sector is expected to add over 45% of the new jobs forecast for Fiscal Year 2009-10. After gaining only 1.7% this year, it is projected to expand 3.9% in Fiscal Year 2009-10 and 6.3% in 2010-11 before decelerating to 5.1% in 2011-12. Slightly over half of the growth in this industry is concentrated in employment agencies, temporary help and leasing services, janitorial and cleaning services, exterminating and pest control services, and landscaping. In this respect, Florida is part of a national trend. According to the U.S. Department of Labor, the employment services sector is expected to be among those that provide the most new jobs. However, Florida differs from the nation in that our single fastest growing industry does **not** continue to be education and health services. In part, this is a data collection problem. Many companies providing temporary help and leasing services are actually benefiting the other sectors.

Eight of twelve industry sectors are expected to shed jobs this year: natural resources & mining, construction, manufacturing, wholesale & retail trade, transportation & utilities, information, financial activities, and government services. Altogether, 72,700 jobs will be adversely affected, with 64% of them coming from the construction sector. After three years of phenomenal growth during the boom, this is consistent with the persistently weak housing market forecast. Strength will not return to this industry during the forecast period, although more typical growth returns in Fiscal Year 2010-11.

Florida Industry	Percent of Total Average Annual Employment, 2007[p]	Average Annual Wage, 2007[p]
Total		$39,762
Natural Resources and Mining	1.2%	$24,198
Construction	7.5%	$41,644
Manufacturing	4.9%	$47,490
Trade, Transportation, and Utilities	20.2%	$35,942
Information	2.0%	$56,894
Financial Activities	6.8%	$56,551
Professional and Business Services	16.7%	$43,807
Education and Health Services	12.3%	$41,147
Leisure and Hospitality	11.7%	$20,822
Other Services	3.2%	$27,895
Government	13.6%	$44,956

[p] = Preliminary

Construction Continues to Drag...Vigorous home price appreciation that outstripped gains in income and the use of speculative financing arrangements made Floridians particularly vulnerable to the decelerating housing market and interest rate risks. In 2006, almost 47% of all mortgages in the state were considered “innovative” (interest only and pay option ARM). With the 30-year fixed mortgage rate holding above 6.0%, the meltdown in the subprime mortgage market and the subsequent credit crunch, housing starts are well into a significant decline that continues through the first half of Fiscal Year 2009-10 before beginning a significant rebound. Single-family starts are the primary driver. Total construction expenditures follow a similar pattern, never returning to the 2005-06 level during the forecast period. As the availability of financing for commercial real estate tightens, growth in private nonresidential construction is projected to fall nearly 13.0% this year from growth of 12.6% in Fiscal Year 2007-08, and stay in negative territory for another year before returning to growth in the out-years. Meanwhile, after posting a 19.1% gain last year, public construction activity is projected to drop 14.9% this fiscal year and then slowly grow 3.6% next year and 4.9% in the following year.

Population Growth Slower But Steady...Population growth has hovered between 2.0% and 2.6% since the mid 1990’s; however, the population growth rate is expected to slow during the immediate forecast period, reaching a high of only 1.64% in Fiscal Year 2011-12. Some of the slower growth is attributable to the impact the national economic downturn is having on domestic migration decisions. Most of Florida’s growth is from net migration: 87.5 percent between April 1, 2000 and April 1, 2007. Even so -- Florida is still on track to break the 20 million mark during 2013, and sometime before then will become the third most populous state – surpassing New York. And in 2007, the state’s age mix shifted for the first time to produce a higher percentage of persons aged 45-64 than persons aged 25-44, a phenomenon arising from the aging baby boom population.

FLORIDA DEMOGRAPHIC PROJECTIONS AND COMPOSITION

The Florida Demographic Estimating Conference met in July 2008 to revise the forecast for the state's resident population growth. The short-term forecast shows population growth slowing slightly in the next few years, in response to a slowing housing and job market. Population growth expanded at a compound growth rate of 2.0 percent between July 1, 2000 and July 1, 2008. Population growth is expected to slow this year and is forecast to yield a compound growth rate of 1.3 percent between Fiscal Year 2008-09 and Fiscal Year 2011-12.

Florida's Resident Population

Florida's population growth helps drive the state's economy, primarily through employment, housing, income, and sales tax revenue. The state's strongest population growth occurred while Florida was a leader in new jobs creation, adding more net new jobs than any other state between July 2000 and July 2006.

Even the devastating 2004 hurricane season did not keep Florida from continuing to grow at record numbers. Florida expanded at a historic level during Fiscal Year 2003-04, with 435,700 new residents, exceeded only by the expansion in two fiscal years in the early 1970s (Fiscal Year 1971-72 and Fiscal Year 1972-73). Growth remained above the 400,000 mark in each of the next two fiscal years, even though it slowed slightly during Fiscal Year 2004-05 to 408,500. During Fiscal Year 2005-06 Florida's population growth was 421,100.

Florida's population growth lagged during Fiscal Year 2006-07 adding only 270,400 residents and is expected to have continued to slow in Fiscal Year 2007-08, increasing by 112,300 residents in response to Florida's sluggish housing market and weaker job market. In percentage terms, population is estimated to have slowed between July 1, 2006 and July 1, 2007 to 1.5 percent from 2.3 percent the year prior and is expected to have further slowed to 0.6 percent between July 1, 2007 and July 1, 2008. Between July 2006 and 2007, employment growth decelerated dramatically in Florida, adding only 11,600 net new jobs. With slower population growth, it is estimated that Florida lost the most jobs of any state between July 2007 and July 2008.

Declining population growth in the state is attributable to slower net migration to the state (the number of residents moving in minus those moving out). Net migration is estimated to have fallen substantially during Fiscal Year 2007-08 to about 40,000 net new residents, representing 35.5 percent of overall population growth. This is in comparison to net migration of over 200,000 in the prior year (Fiscal Year 2006-07).

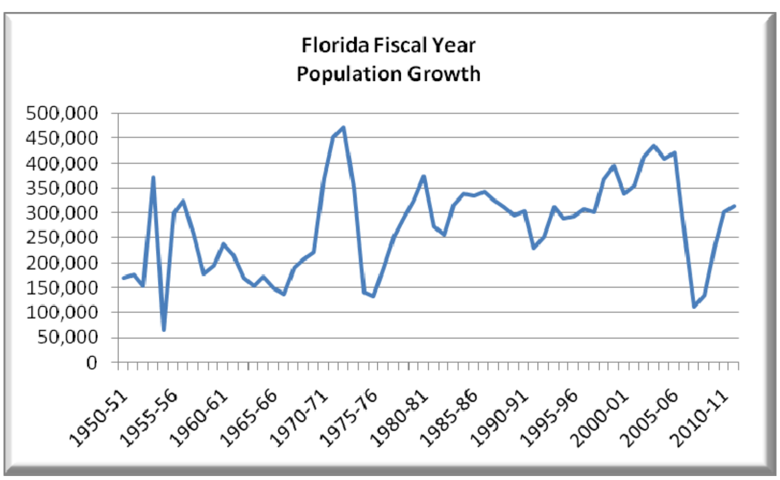
According to *The Harris Poll* (August 2007), Florida ranked second (after California) as the state where U.S. adults would choose to live if they could live in any state outside of their own. This second place ranking was largely due to baby boomers and matures (ages 43 and over), while the younger age groups (generation x and echo boomers) ranked Florida third and fourth, respectively. In particularly baby boomers ranked Hawaii as their most preferred state, while the other three groups ranked California highest. Florida is expected to continue to be a magnet for residents from other states and countries.

Population Growth for Fiscal Year 2008-09

Florida's resident population is forecast to grow by 136,200 residents during Fiscal Year 2008-09. Typically, Florida's population growth is due mostly to net migration (more people moving into than out of the state). Net migration is expected to rebound slightly over the coming year, representing 46.3 percent of the gains in population and adding about 170 residents per day during Fiscal Year 2008-09. The remainder of the population growth is due to natural increase (more births than deaths).

Forecast ~ Fiscal Years 2009-10 through 2011-12

Florida's population is expected to approach the 20 million mark during the forecast horizon, gaining 847,400 residents over the next three fiscal years. Florida is also anticipated to become the third most populous state, surpassing New York. Seventy-five percent of the growth will be due to net migration, while the remaining 25 percent will be due to natural increase. Net migration has been the key to Florida's population growth, representing between 74.0 and 95.5 percent of Florida's population growth from Fiscal Year 1970-71 to Fiscal Year 2006-07. The graph below shows historical and projected levels of population growth through the end of Fiscal Year 2011-12.

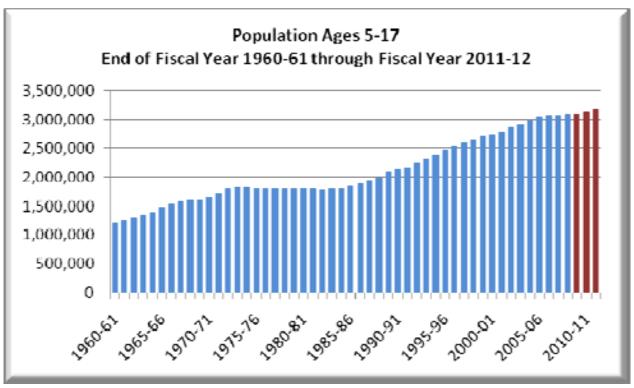


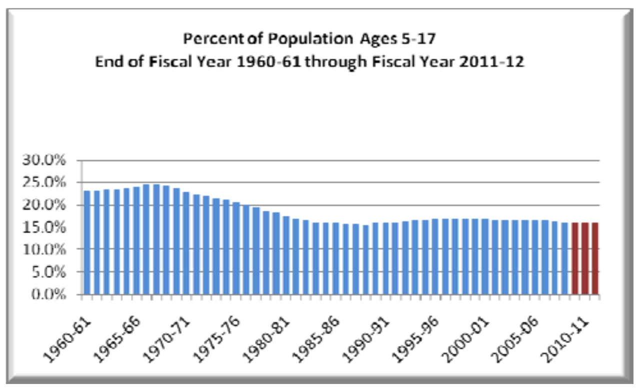
Source: Demographic Estimating Conference, July 2008.

Demographic Composition

There are slightly more females than males in Florida, 51 percent versus 49 percent, respectively. The relationship of females to males in Florida is similar to the United States as a whole, where females represent 50.7 percent of the population. Based on the latest July 1, 2007 population estimates from the U.S. Department of Commerce, Bureau of the Census, Florida's median age was 39.9 years. This ranked Florida fourth in the nation in terms of median age; with higher median ages recorded only in Maine, Vermont and West Virginia.

By the end of Fiscal Year 2008-09, the number of school age children in Florida (ages 5-17) is projected to be 3,076,000, representing 16.1 percent of total population. This percentage peaked in the mid-to-late 1960's, reflecting the end of the baby boom generation's birth cycle. Since then, school age population has declined as a percentage of total population, reaching a low of 15.5 percent at the end of Fiscal Year 1988-89. The number of children aged 5-17 plateaued between end of Fiscal Years 1972-73 and 1984-85, ranging between 1,774,000 and 1,830,000 per year. Even though the number of school age children is forecast to continue to increase over the 3-year forecast horizon, the percent of total population aged 5-17 is expected to fall slightly to 15.8 percent by the end of Fiscal Year 2011-12 from 16.1 percent at the end of Fiscal Year 2008-09.

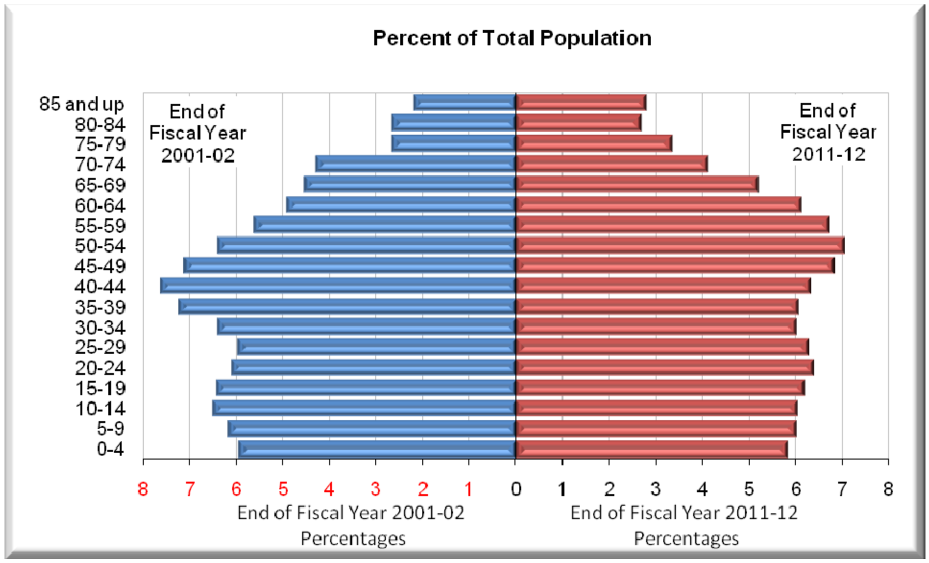




Source: Demographic Estimating Conference, February 2008.

Over the decade, the share of prime working age residents (ages 25-54) is forecast to decline from 40.8 percent of total population at the end of Fiscal Year 2001-02 to 38.6 percent at the end of Fiscal Year 2011-12. Even though the percent of prime working age residents is expected to decline over this ten year horizon, the number of people aged 25-54 is forecast to expand by 13.1 percent. By the end of the end of Fiscal year 2011-12, the number of residents in this prime working age group will approach 7,736,000.

The number of residents aged 50-64 is expected to grow by 40.2 percent over the ten year horizon, reflecting the aging baby boom generation. At the end of Fiscal Year 2007-08 Florida's population aged 55 and older represented 29.2 percent of total population and is expected to account for 31 percent of Florida's total population by the end of Fiscal Year 2011-12.



Source: Demographic Estimating Conference, February 2008.

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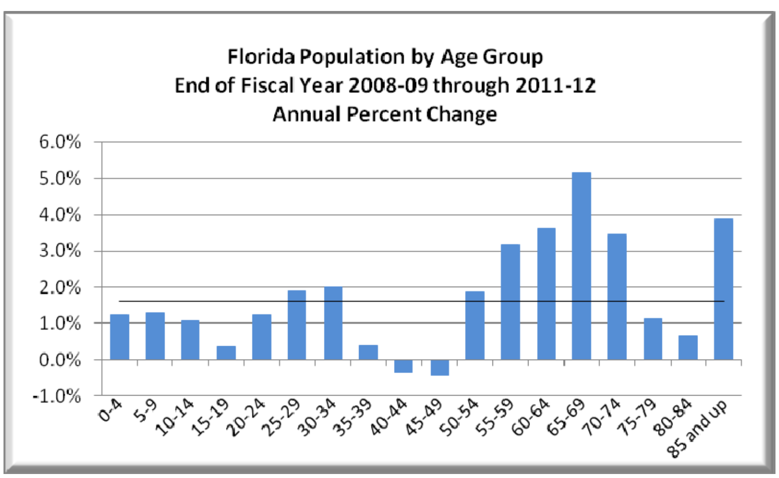
Over the 3-year forecast horizon, the age groups (categorized by five-year increments) that will expand at a faster annual growth rate than the state are those between 25-34, 50-74, and 85 and older. The baby boomer and retiree age groups (aged 45 and older) are expected to represent 43.8 percent of Florida's population by July 2009 and are forecast to increase at a compound annual growth rate of 2.4 percent (faster than the overall population rate of 1.6 percent), representing 44.8 percent of the total population by the end of Fiscal Year 2011-2012.



Source: Demographic Estimating Conference, February 2008.

Florida's population continues to become more diverse. The 2000 Census showed that 16.8 percent of Florida's population was Hispanic or Latino. By the end of Fiscal Year 2011-12 this percentage is expected to increase to 22.2 percent. Whites comprised 82.2

percent of Florida's population in 2000, while blacks accounted for 15.4 percent. By the end of Fiscal Year 2011-12 these percentages are expected to be 80.1 percent for whites and 16.9 percent blacks.

Florida is a high migration state, with only one-third of its residents born here. Almost one-fifth of Florida's population is foreign born, and about one-fourth of Floridians aged 5 and over indicated that they speak a language other than English at home. Of the Florida residents that speak a language other than English at home, 45.1 percent indicated that they speak English "less than very well". Other states where a larger percentage of residents aged 5 and over indicated that they speak a language other than English at home are: California, New Mexico, Texas, New York, Arizona, New Jersey, and Nevada.

Most of Florida's foreign born population is from Latin America, with the greatest number from Cuba. Miami-Dade is currently the only county in Florida where the majority of the households (63.6 percent in 2006) speak Spanish. The Census Bureau estimated that in approximately 31 percent of the Spanish speaking households statewide and 37.6 percent in Miami-Dade County, all household members aged 14 years old and over have at least some difficulty with English.

Summary

Over the forecast horizon, several demographic factors will present challenges for the state's policy makers as the baby boom population begins to enter retirement age. Most importantly, Florida will need to prepare for a more diverse and aging population with its corresponding demands on services.

REVENUE PROJECTIONS

Throughout the spring and summer, the Revenue Estimating Conference met to revise estimates for Fiscal Year 2007-08 and to develop new forecasts for the upcoming years. Revenue projections were generally weakened relative to the prior forecasts, especially in the early years. Unlike prior years, significant amounts of non-recurring dollars no longer exist to buffer errors in the forecast or other downturns in the economy.

General Revenue Fund:
Since the General Revenue Estimating Conference held in mid-March, there has been continued tightening of credit market conditions, high energy prices, falling employment and further deterioration in the housing market as the nation faces an economic contraction. In response, the Revenue Estimating Conference has reduced its estimate of General Revenue collections for Fiscal Year 2008-09 by $1.8 billion or 7.0% below the estimate from March. For Fiscal Year 2009-10, expected revenues were reduced by $2.2 billion or about 8.0% from the earlier forecast.

Estimated revenue collections in Fiscal Year 2008-09 are less than Fiscal Year 2007-08 receipts by $740 million or 3.1%, the third year of declining receipts. The Fiscal Year 2009-10 forecast has growth of 5.5% over the revised Fiscal Year 2008-09 estimate.

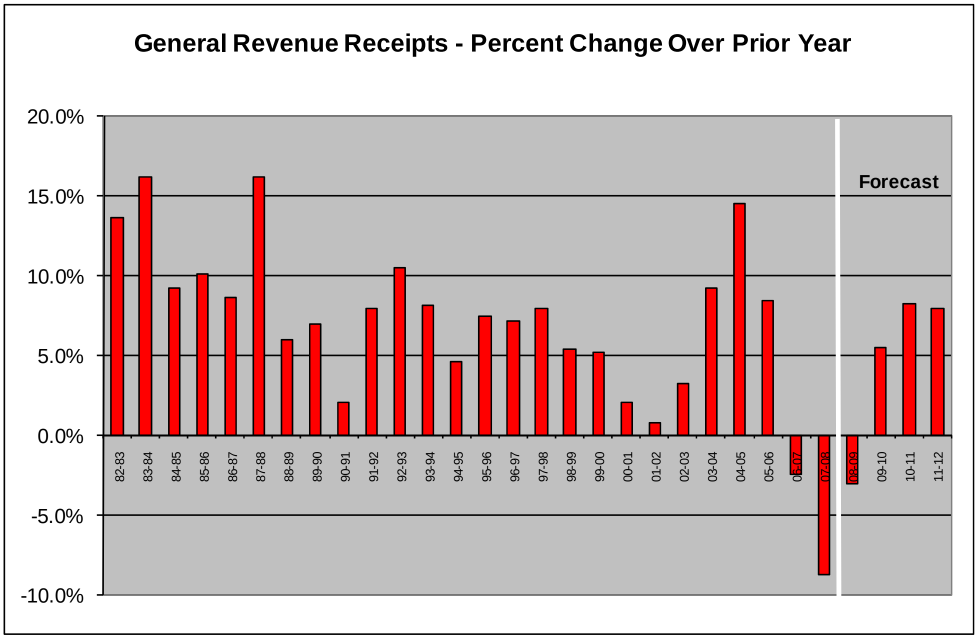
The revisions to the forecast are attributable to several factors. First, the previously adopted national economic forecast calls for an economic contraction that will further dampen consumer expenditures and business investment, as well as employment and population growth. This situation is exacerbated by continued tightening of credit and lending practices amidst increasing inflationary pressures and higher energy costs. These factors will prolong the downturn in the state's housing market by at least six months and influence revenue collections in the following ways:

- **Sales Tax…**In addition to declining home values, worsening job losses and dramatically higher energy costs are undermining consumer and business confidence and discretionary income. Purchases in all sectors have been sluggish and are expected to remain lower than previous estimates. These adjustments persist throughout the forecast period.

- **Documentary Stamp and Intangibles Taxes…**Tax collections are expected to be significantly below previous estimates. Home prices continue to weaken, exerting downward pressure on collections until the housing market begins to stabilize. Further, the outlook for automobile sales has weakened.

- **Corporate Income Tax…**Tax collections decline in Fiscal Year 2008-09 after a downward revision of 8.6%. This weakness is largely due to: (1) lower profits in companies previously benefiting from the overheated real estate market, (2) adjustments to subprime and other credit-related losses, and (3) compressed profit margins caused by the economic downturn and higher energy prices.

While the economic and demographic outlooks have worsened in the short run, growth rates are expected to improve by late Fiscal Year 2009-10. However, revenue collections are not anticipated to exceed the Fiscal Year 2005-06 level until Fiscal Year 2011-12.

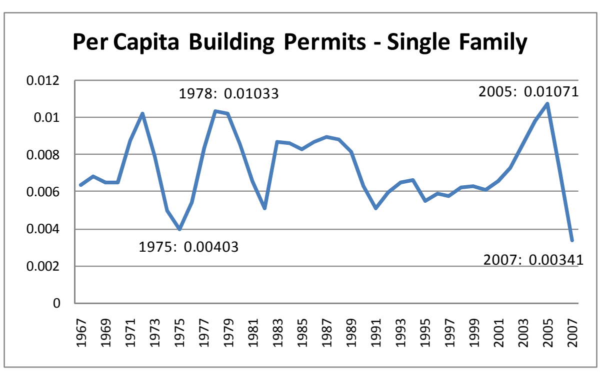


Note: Several years had tax increases which distort year-over-year changes.

Documentary Stamp Taxes:

(a portion of these dollars fund general revenue and the rest is associated with various trust funds)

The new forecast reflects conditions that continue to prove that Florida is well below normal patterns of construction and real-estate activity. These conditions are generally expected to last throughout calendar years 2008 and 2009, before returning to more sustainable growth patterns in 2010. In this regard, Fiscal Year 2008-09 receipts will only achieve 36% of the collection level at its height – the 2005-06 boom year. As the primary driver of the five-year run-up in total documentary stamp tax collections, the state of Florida's housing market is inextricably linked to this revenue source.

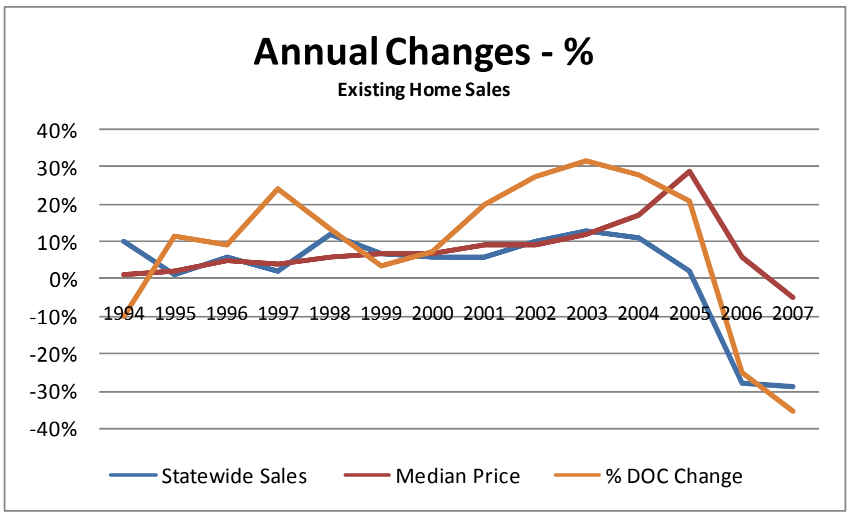


The boom, characterized by double-digit growth in home sales and price appreciation, played a significant role in Florida's past collection performance. Among other things, recent data has indicated year-over year sales of existing homes dropped for the fourth consecutive June, with 2008 sales comprising only 46% of the 2005 level.

Levels this low have not been seen since June 1994. Similarly, median sales prices have declined by 16% since last June, affecting nearly every one of the state's metropolitan statistical areas.

According to the latest Florida Economic Conference, housing starts – albeit exhibiting positive growth – will persist at low levels through calendar year 2009 before beginning a more significant rebound in the second half of 2010. Total construction expenditures follow a similar pattern, although Fiscal Year 2008-09 continues negative quarterly growth. Construction expenditures do not return to the 2005-06 level until Fiscal Year 2015-16. Growth in private nonresidential construction is also projected to lose steam and dip into negative territory this year, followed by another year of decline in Fiscal Year 2009-10 before resuming growth. Meanwhile, after posting a 19.1% increase last year, public construction activity is projected to decelerate 14.9% this fiscal year before regaining modest strength.

Documentary Stamp tax collections are expected to continue declining as the adjustment to stricter lending standards and tighter credit conditions takes hold. Prices will further weaken – exerting downward pressure on collections until the current housing inventory clears. This is not expected before early 2010.



Total annual collections were greatest in Fiscal Year 2005-06 at $4.1 billion. In comparison, the forecast for this year is only $1.47 billion, a 24.6% decline over last year. Positive growth is expected in 2009-10 (8.9%) followed by even stronger growth in Fiscal Years 2010-11, 2011-12 and 2012-12 with more typical levels for the remainder of the forecast.

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

The Revenue Estimating Conference met on **Lottery** revenues on July 25, 2008. At the meeting, the conference reduced expected distributions to the EETF from current projections by $75.0 million in Fiscal Year 2008-09 and $54.8 million in Fiscal Year 2009-10. These figures translate into growth rates of -2.8% in 2008-09 and 3.8% in 2009-10. Distributions are then expected to increase by 1.4% in 2010-11, and 1.6% in 2011-12. The modifications to the forecast recognized the flagging ticket sales since the last conference in April. This has largely been caused by pressure on discretionary spending dollars as consumers face weak disposable income growth and high and increasing gasoline prices. The outlook for the economy in general, and gasoline prices in particular, has worsened since the April forecast, negatively affecting the outlook for Lottery ticket sales.

The cuts in sales are across all games, with the exception of Raffle games. The Department of Lottery has made plans to join the multi-state Powerball game in January, which partially offsets the cuts in other games. The base game changes, prior to adding in Powerball, are as follows:

Summary of All games (Not including Powerball)

		April 2008	July 2008	Difference
Scratch-off	**2008-09**	2481.1	2257.1	-224.0
	2009-10	2567.9	2324.8	-243.1
Lotto	**2008-09**	915.0	817.6	-97.4
	2009-10	906.2	820.1	-86.1
Mega Money	**2008-09**	121.2	116.0	-5.2
	2009-10	120.8	111.0	-9.8
Fantasy 5	**2008-09**	309.1	292.6	-16.5
	2009-10	313.3	292.6	-20.7
Cash 3	**2008-09**	364.4	350.8	-13.6
	2009-10	369.8	354.3	-15.5
Play 4	**2008-09**	251.6	245.6	-6.0
	2009-10	258.9	250.5	-8.4
Raffle	**2008-09**	25.0	45.0	20.0
	2009-10	25.0	30.0	5.0
TOTAL	**2008-09**	4467.4	4124.7	-342.7
	2009-10	4561.9	4183.3	-378.6

After considering the experience in other large states, the conference estimated that Florida will receive $.304 per capita per week from Powerball through 2008-09 and 2009-10. This results in Powerball sales of $143.6 million in 2008-09 and $301.5 million in 2009-10. The conference further assumed that 80% of those sales ($114.9 million in 2008-09 and $241.2 million in 2009-10) would be diverted from other games, 90% ($103.4 million in 2008-09 and $217.1 million in 2009-10) from Lotto and 10% ($11.5 million in 2008-09 and $24.1 million in 2009-10) from Fantasy 5.

The table below summarizes the forecast after adding in the impact of Powerball, other income, and unclaimed prizes.

Summary of All games (Including Powerball)				
		April 2008	**July 2008**	**Difference**
Scratch-off	**2008-09**	2481.1	2257.1	-224.0
	2009-10	2567.9	2324.8	-243.1
Lotto	**2008-09**	915.0	714.2	-200.8
	2009-10	906.2	603.0	-303.2
Powerball	**2008-09**	0.0	143.6	143.6
	2009-10	0.0	301.5	301.5
Mega Money	**2008-09**	121.2	116.0	-5.2
	2009-10	120.8	111.0	-9.8
Fantasy 5	**2008-09**	309.1	281.1	-28.0
	2009-10	313.3	268.5	-44.8
Cash 3	**2008-09**	364.4	350.8	-13.6
	2009-10	369.8	354.3	-15.5
Play 4	**2008-09**	251.6	245.6	-6.0
	2009-10	258.9	250.5	-8.4
Raffle	**2008-09**	25.0	45.0	20.0
	2009-10	25.0	30.0	5.0
TOTAL	**2008-09**	4467.4	4153.4	-314.0
	2009-10	4561.9	4243.6	-318.3
EETF from	**2008-09**	1258.9	1175.3	-83.6
Ticket sales	**2009-10**	1285.7	1221.6	-64.1
Other Income	**2008-09**	20.5	23.0	2.5
	2009-10	20.5	23.0	2.5
80% unclaimed	**2008-09**	39.9	46.0	6.1
prizes	**2009-10**	39.9	46.8	6.9
TOTAL	**2008-09**	1319.3	1244.3	-75.0
EETF	**2009-10**	1346.1	1291.4	-54.8

The Conference last addressed **slot machine** tax revenues in February. The estimates of transfers to the Educational Enhancement Trust Fund were affected as follows:

Slot Machines Tax Collections			
Millions of $			
	Oct-07 Estimate	Feb-08 Estimate	Difference
2006-07	48.2	48.2	0.0
2007-08	123.1	120.3	-2.8
2008-09	133.3	122.9	-10.4
2009-10	157.8	180.2	22.4
2010-11	179.1	280.0	100.9
2011-12		294.8	

The forecast recognized updated tax collections data and information concerning the number of machines in the currently operating facilities. Collections ran close to estimate through February in spite of fewer than expected machines operating at Gulfstream. The conference expected that overall economic weakness coupled with the replacement of 800 Class II machines with Class III machines at the Hard Rock Casino would lead to collections coming in slightly below estimate for the remainder of the 2007-08 fiscal year. That weakness continues into 2008-09, with the number of machines remaining at the current level throughout that fiscal year.

Beginning in 2009-10, the outlook improves due to the operation of slot machines in the pari-mutuel facilities in Miami-Dade County. The forecast assumes that all three Miami-Dade facilities operate 1,500 machines for half the fiscal year, and that no more machines are added through the end of the forecast period. Additionally, the forecast assumes that in 2010-11, Dania opens up with 1,500 machines, and that Mardi Gras adds an additional 770 machines to reach the statutory maximum of 2,000. The additional activity as a result of the new machines results in the addition of about $100 million dollars in 2010-11.

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 2008 certified school taxable value is $1,819.0 billion. After deducting the statutorily required discount rate of 5 percent, the value of one mill applied to school taxable value is approximately $1,728.0 million. The actual RLE millage rate is developed after the legislative session, based on the amount of RLE set by the Legislature in the General Appropriations Act.

Florida’s economy has weakened since the March 8, 2008 estimate. Two key variables that are related to housing demand, employment and income growth, have deteriorated more than expected. Non-farm employment has fallen 0.4 percent during fiscal year 2007-08 and is expected to further decline by 0.1 percent in fiscal year 2008-09. Personal income per capita grew slightly faster than expected in fiscal year 2007-08. The new estimate is 0.8 percent annual growth vs. the old estimate of 0.7 percent annual growth. However, annual growth in personal income per capita for fiscal year 2008-09 is expected to fall 2.7 percent.

June sales activity as reported by the Florida Association of Realtors hints that a recovery in Florida’s housing market is on the horizon. Markets areas such as Fort-Pierce-Port St. Lucie, Fort Myers-Cape Coral, and Marco Island have witnessed increased sales in single family homes over June of 2007. Yet, statewide, sales activity for June is down 5.0 percent over the same period last year and the median sales price is down 16.0 percent over the same period last year. In light of this and the general weakening in the overall state economy, a cautious forecast was adopted.

There still remains a large inventory of unsold homes, and access to building and mortgage financing is still tightening. These factors in conjunction with slower income growth will suppress growth in the housing sector for at least another 12 months. There is also concern that commercial real estate may see a retrenchment in the following months similar to what has been witnessed in the residential sector. This would further slow any chance of near-term recovery.

Key Components of Taxable Value
(billions of dollars)

	Actual 2007 Tax Roll	Preliminary 2008 Tax Roll	Estimated 2009 Tax Roll	Dollar Change (09 over 08)	Percent Change (09 over 08)
School Taxable Value*	1,822.00	1,818.99	1,795.61	-23.39	-1.3%
Real Property	1,712.61	1,717.90	1,691.48	-26.42	-1.5%
Personal Property	108.03	99.84	102.83	3.00	3.0%
Centrally Assessed	1.37	1.25	1.29	0.04	3.0%
Sub Components of Real Property**					
New Construction	69.14	55.62	36.37	-19.25	-34.6%
Save-Our-Homes Differential	433.24	318.79	267.81	-50.98	-16.0%

**School taxable value includes Value Adjustment Board changes and other appraiser adjustments.*
***New Construction is an addition to the tax base, and the Save-Our-Homes differential is a subtraction from the tax base.*

Gross Receipts Tax and Communications Services:
The Revenue Estimating Conference met on July 22, 2008 to adopt a new forecast for the Gross Receipts Tax and the State Sales Tax on Communication Services. In the fiscal year just finished in June, the actual collections for Gross Receipts (electricity, gas and communications) and the State Sales Communications Service Tax were both below the levels estimated at the February conference (down 1.1% and 0.5% respectively). Compared to the February conference forecast, the new Gross Receipts Tax forecast shows an increase for the current and the next four fiscal years, and a slight decrease for the rest of the forecast period. These changes feed directly into the dollars available for PECO appropriations. For the State Sales Tax on Communications Services, the new forecast is virtually the same as February, with a small increase in the current fiscal year and a slight downturn in each of the future years. The highlights are detailed below.

Gross Receipts Tax on Electricity... The Conference discussed the tax collection pattern since the last estimate was adopted. Collections for the past four months (as of the end of June 2008) were $11.5 million below the estimate. This error was about 1.8% of the level forecast in February, and the shortage was mainly due to weakening demand and the lagged price change in Florida’s market for electricity. In the new forecast, the price of electricity in 2008 and 2009 will increase significantly, responding to the price surge in the energy market. This results in a stronger forecast for the current fiscal year, Fiscal Year 2009-10 and Fiscal Year 2010-11, adding $42.9 million, $55.8 million and $58.4 million, respectively, to the February estimates. From Fiscal Year 2011-12 through Fiscal Year 2013-14, collections will exhibit negative growth rates as the price of electricity falls. After that, the growth rate becomes positive, but the dollar amount will be lower than the February forecast.

Gross Receipts Tax on Gas... While natural gas prices are increasing, the response in tax revenues from the Gross Receipts Tax on Gas Fuels will be muted because the state Gross Receipts Tax law exempts a significant part of the market transactions from the tax. For Fiscal Year 2007-08, actual collections were $30.9 million, $0.7 million more than the prior estimate ($30.2 million). Starting Fiscal Year 2008-09 and continuing for the rest of the forecast period, collections are expected to be only slightly higher than the February estimate.

Communications Services Tax...Compared to the February estimate, Fiscal Year 2007-08 collections from the Communications Services Tax (CST) were lower than expected. For the past four months, the Gross Receipts Tax component of the CST was $1.5 million lower (0.3%), and the State Sales Tax component was $6.9 million lower (0.6%). Starting in Fiscal Year 2008-09, anticipated collections for the Gross Receipts component match the February estimates. The State Sales Tax CST forecast will also be close to the February estimate, with only a $4.5 million increase in Fiscal Year 2008-09, and a small decrease in each of the following years. The weakness is largely attributable to lower demand for cellular phone services and Cable TV and the continuing decrease in the residential landline telephony sector.

Additional State Tax on Direct-to-Home Satellite Service and Local Communications Service Tax... New forecasts for the additional state tax on Direct-to-Home Satellite Service (DHSS) and the local communications service tax were also developed. The additional state tax on DHSS is distributed to local governments through the Local Government Half-Cent Clearing Trust Fund. Fiscal Year 2007-08 collections met the estimate and the new forecast anticipates that future collections will be close to the February estimates, with about half a million to one million reduction for each of the forecast years. Fiscal Year 2007-08 collections for the local CST were $5.4 million below the February estimate, and the forecast period will see weaker growth as a result.

The table below summarizes the results of the latest estimating conference.

	Gross Receipts Tax All Sources	Gross Receipts Tax on Electricity	Gross Receipts Tax on Gas	Communications Services Tax-Gross Receipts Component	Communications Services Tax-State Tax Component	Additional State Tax on Direct-to-Home Satellite	Local Communications Service Tax
FY 07-08	1125.96	639.21	30.90	455.86	1090.02	56.63	888.47
FY 08-09	1165.97	663.21	32.24	470.52	1151.15	58.81	914.32
FY 09-10	1220.47	702.51	33.05	484.91	1190.44	61.46	932.96
FY 10-11	1265.83	732.02	33.22	500.59	1238.79	64.10	961.87

FY 11-12	1278.59	729.50	32.95	516.14	1290.12	67.11	991.96
FY 12-13	1283.89	719.45	32.33	532.11	1342.33	70.54	1020.51
FY 13-14	1291.90	711.70	32.06	548.14	1391.09	74.42	1048.78
FY 14-15	1316.82	719.78	32.31	564.72	1439.73	77.84	1075.94

Public Education Capital Outlay and Debt Service Trust Fund:
The Public Education Capital Outlay Program addresses educational facilities construction and fixed capital outlay needs for school districts, community colleges, and universities. The Revenue Estimating Conference met on July 25, 2008 to project the maximum dollars available for appropriation from the Public Education Capital Outlay (PECO) and Debt Service Trust Fund. The Conference increased the forecast of the maximum amount available for appropriation from the PECO Trust Fund for Fiscal Year 2009-10 by $414.6 million, to $875.8 million in total. Of this total amount, $557.4 million is from the sale of bonds, higher (+$351.5 million) than the March 2008 estimate. Nearly all of this revision is due to the increased forecast for the Gross Receipts Tax, which funds the debt service on the bonds. After Fiscal Year 2009-10, the higher Gross Receipts Tax forecast produces an even higher level in bonding capacity, to $767.6 million in 2010-11 and $659.4 million in the 2011-12 fiscal years. The higher Gross Receipts Tax forecast is derived in large part from higher fuel costs to produce electricity, which are passed on to the customer in the form of higher utility rates. The amount available as cash is projected to be $318.4 in Fiscal Year 2009-10, higher by $63.0 million than the March forecast.

	Maximum PECO Appropriations	Estimated PECO Bonding
FY 2007-08	1799.3	1317.2
FY 2008-09	1216.1	924.2
FY 2009-10	**875.8**	**557.4**
FY 2010-11	1079.8	767.6
FY 2011-12	940.7	659.4
FY 2012-13	540.9	292.0
FY 2013-14	637.9	396.5
FY 2014-15	496.6	236.8
FY 2015-16	560.2	277.8
FY 2016-17	754.0	457.5

Principal State School Trust Fund:
Used exclusively to meet public school needs, the Principal State School Trust Fund contains revenue primarily derived from unclaimed property. Transfers of abandoned property to the State were significantly above estimate for Fiscal Year 2007-08 at $312.3 million, or $87.9 million higher than estimated. Property returned to owners, however, was only slightly higher than estimated. Property returned to owners totaled $151.2 million, or $9.5 million greater then forecasted. As a result, transfers to the State School Trust Fund were $80 million more than expected. At the July meeting, the Revenue Estimating Conference adopted a new forecast which reflects the higher level of continuing collections. For Fiscal Year 2008-09, the recurring transfer to the Principal State School Trust Fund was increased by $46.8 million from the previous forecast. Only moderate growth is projected for future years.

Tobacco Settlement Trust Fund:
On August 25, 1997, the State of Florida and several major American tobacco companies (Philip Morris Incorporated; R. J. Reynolds Tobacco Company; Brown & Williamson Tobacco Corporation; and Lorillard Tobacco Company) entered into a *Settlement Agreement* that included both non-monetary and monetary provisions related to Florida's financial losses as a result of smokers in the state's Medicaid program. In the Agreement, the tobacco companies agreed to discontinue certain forms of advertising and to support certain legislative initiatives. These included prohibiting the sale of cigarettes in vending machines and strengthening civil penalties related to the sale of tobacco products to children and possession of tobacco products by children. The tobacco companies also agreed to make annual payments in perpetuity, with the payments structured to be about $11.3 billion over the first 25 years, subject to certain annual adjustments, primarily for shipment volume and the Consumer Price Index.

The Tobacco Settlement Trust Fund (TSTF) receives the settlement payments. The funds are currently used for programs in the Health and Human Services area. The current year (2008-09) funds available estimate for the TSTF is $822.1 million; however, this amount is inflated by a one-time supplemental transfer from the Lawton Chiles Endowment Fund of $354.4 million. An additional $4.8 million goes directly to the Biomedical Research Trust Fund. In Fiscal Year 2009-10, $398.7 million is expected from payments and profit adjustments, and $52.5 million is expected in transfers from the Lawton Chiles Endowment Fund. Including unspent (non-recurring) funds from this year of $8.3 million and $2.0 million in interest earnings, a total of $461.5 will be available for expenditure. These figures make no adjustment for the constitutionally required funding for tobacco education and prevention. The financial obligation for Fiscal Year 2009-10 will be deducted from the trust fund as an expenditure and is estimated to be $61.0 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.

Transportation Revenue and the State Transportation Trust Fund:
[NOTE: Since there were only insignificant changes from the previous estimates, there was no need to update the forecast in the summer. The next conference will be convened in the Fall.]

The Revenue Estimating Conference for the State Transportation Trust Fund last met on March 3, 2008, to adopt the forecast for revenues flowing into the State Transportation Trust Fund (STTF). The conference made significant adjustments to the overall forecast through the work program period, which ends in 2012-13. Over this period, revenues to the trust fund were cut by $339.4 million, or 1.8%. The overall forecast is responding to recent shortfalls in most categories, as well as the weaker economic activity and higher fuel prices contained in the National and Florida economic forecasts. Changes in the forecast discussed below all refer to the work program period:

- The projection for revenues from highway fuel consumption, which includes the Highway Fuel Sales Tax and the SCETS Tax, was reduced by $159.8 million, or 1.4%. Projected tax rates remain stable or slightly higher, with the reduction in the forecast arising from reduced consumption of both gasoline and diesel fuel.
- The Aviation Fuel Tax forecast was reduced by $11.5 million, or 3.2%, due to weakness in recent collections as well as the continued weakness projected for the economy.
- The forecast for Off-Highway Fuel Sales Tax was reduced by $5.3 million, or 5.6%, with higher projected prices being more than offset by the reduction in consumption due to weakness in the construction sector.
- Expected revenues from Special Fuel use taxes and fees were increased by $5.5 million, or 5.0%, while the projection for the Rental Car Surcharge was reduced by $9.5 million, or 1.4%, due to recent lagging collections and the expectation for continued weakness in tourist activity.
- The distribution from Local Option Tax Service Charge was reduced by $4.9 million, or 1.8%, responding to the reduced forecast for highway fuel consumption.

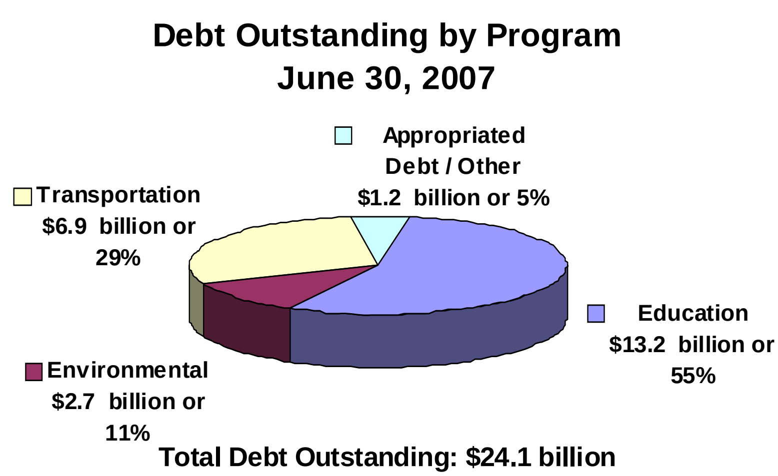
The weaker economic and demographic outlook also resulted in cuts being made in the license and registration related fees. Receipts to the State Transportation Trust Fund from Motor Vehicle License revenues are expected to be $15.5 million, or .4%, lower than in the previous forecast. The forecast for Initial Registration Fees was reduced by $87.9 million, or 10.2%, while the forecast for Title Fees was reduced by $50.5 million, or 7.3%.

FLORIDA DEBT ANALYSIS

Florida law requires an ongoing analysis of the State's debt position. This requirement enables lawmakers to consider the impact of future bond issuances on the state's debt position during the decision-making process. If the state has too much debt relative to its expected revenues, any additional debt financings could impact the State's credit rating and its borrowing cost. To implement this analysis Florida law designates a benchmark debt ratio and establishes a 6% target, as well as a 7% maximum cap. To exceed the target, the Legislature must determine that additional debt is in the best interests of the state. To exceed the cap, a declaration of critical state emergency must be made. The discussion below reflects the key points of the *2007 Debt Affordability Report* prepared by the Division of Bond Finance which covered the period June 30, 2006 to June 30, 2007. However, ***the August 2008 Revenue Estimating Conference results have been considered in*** the discussion of estimated revenues and ***the projection of the benchmark ratio*** of debt service to revenues available. The next report will be released in December.

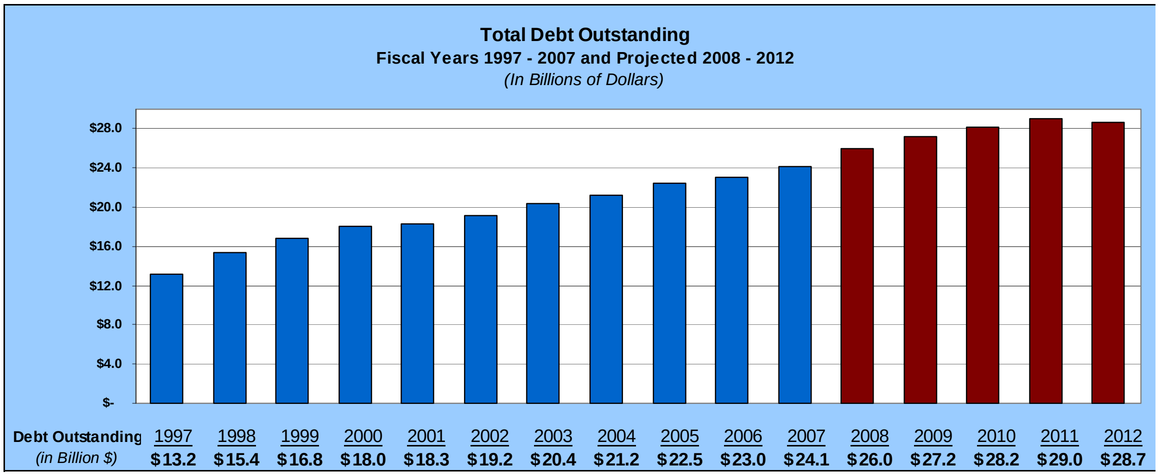
Debt Outstanding

Total State debt outstanding at June 30, 2007 was $24.1 billion, $1.1 billion more than at June 30, 2006. Net tax-supported debt totaled $18.3 billion for programs supported by State tax revenues or tax-like revenues. Self-supporting debt totaled $5.8 billion, representing debt secured by revenues generated from operating bond-financed facilities. Additionally, indirect State debt at June 30, 2006 was $14.3 billion, $7.8 billion more than the prior year-end. Indirect debt increased significantly due to borrowing by insurance-related entities, i.e., Florida Hurricane Catastrophe Fund Finance Corporation and Citizens Property Insurance Corporation; however, indirect debt is not a component of State debt ratios or the debt affordability analysis.



Growth in Debt

Total State Debt has increased $10.9 billion over the last ten years from $13.2 billion to $24.1 billion. Based on existing borrowing plans, debt outstanding is expected to reach $29 billion in 2011.

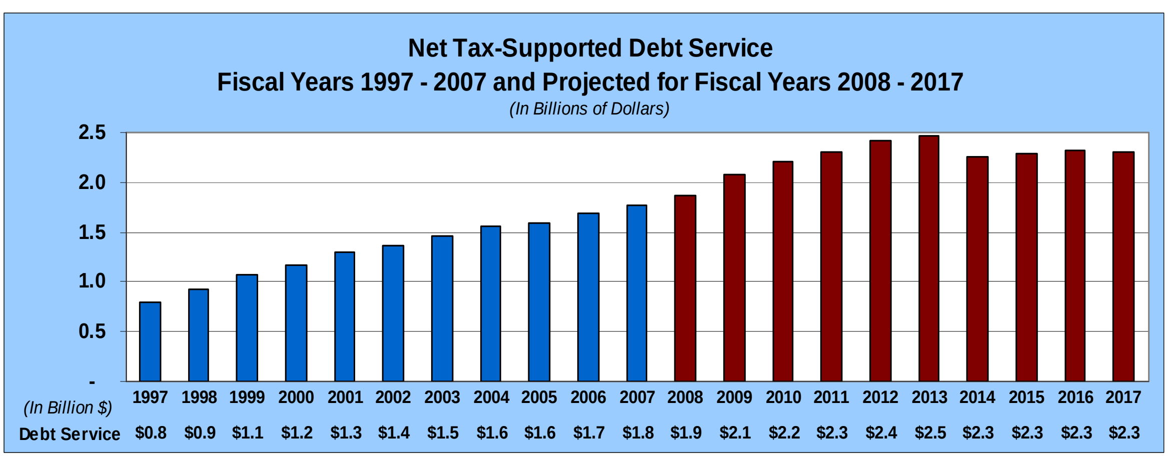


Estimated Debt Issuance

Approximately $12.2 billion of debt is expected to be issued over the next ten years for all of the State's currently authorized financing programs. This estimate is approximately $1.0 billion or 8.9% more than the previous projection of expected debt issuance. The increase in expected debt issuance is due to increased educational borrowing of $650 million and increased transportation borrowing of $673 million. The expected debt issuance does not include any additional bonding for class size reduction or additional debt for extending the Florida Forever and Everglades bond programs authorized during the 2008 Legislative Session.

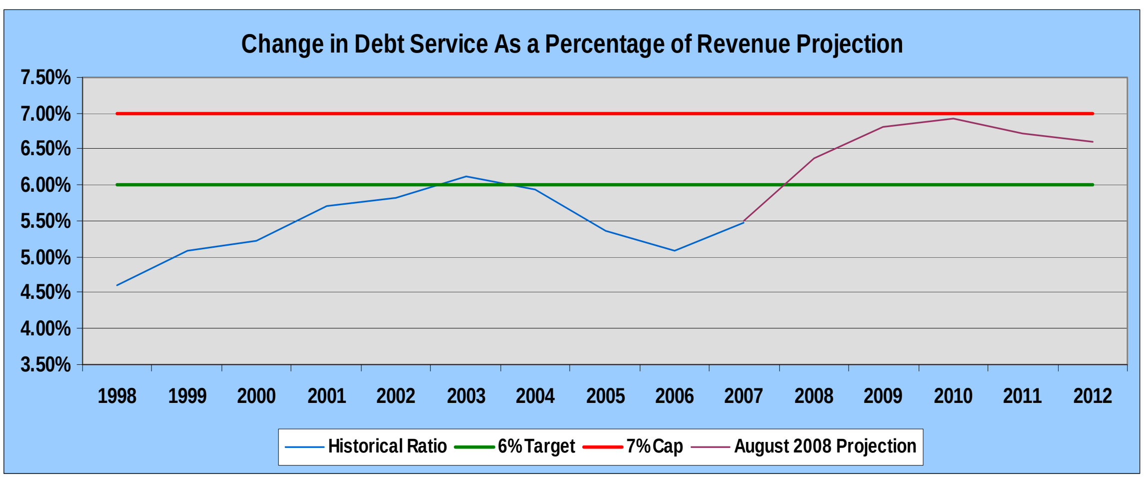
Estimated Annual Debt Service Requirements

Debt service payments now total approximately $1.8 billion per year. During Fiscal Year 2006-07, annual debt service requirements increased by $91.5 million over the prior year, slightly less than the average annual increase over the last ten years. Annual debt service payments are estimated to grow from the existing $1.8 billion to $2.2 billion over the next three years based on projected bond issuance.



Estimated Revenues
Revenue collections in Fiscal Year 2007-08 of $29.7 billion were $2.5 billion or 8% less than Fiscal Year 2006-07 revenues. Additionally, Fiscal Year 2008-09 revenue projections were reduced twice by an aggregate $3.7 billion or 10.7%. The reductions in revenue projections are due to (1) the deteriorating housing market exacerbated by the sub-prime mortgage crisis and credit tightening; (2) slowing population growth and Florida's vulnerability to the real estate market; and, (3) reduced disposable spending due to increased energy prices. While the economic and demographic outlooks have worsened for the short-term, growth rates are expected to improve by late Fiscal Year 2009-10 and continue to improve through Fiscal Year 2011-12.

Debt Ratios
The State's benchmark debt ratio of debt service to revenues available to pay debt service has increased over the past year. The benchmark debt ratio increased from 5.5% for Fiscal Year 2006-07 to approximately 6.4% for Fiscal Year 2007-08. The increase in the benchmark debt ratio is due to lower revenue collections during Fiscal Year 2007-08. The benchmark debt ratio is projected to reach 6.8% for 2009 and peak at 6.9% for 2010 before improving. The projected benchmark ratio is approaching the 7% cap based on existing borrowing plans and current revenue forecasts. The benchmark debt ratio could increase further if revenues continue to decline.



Benchmark Ratio Estimated August 2008

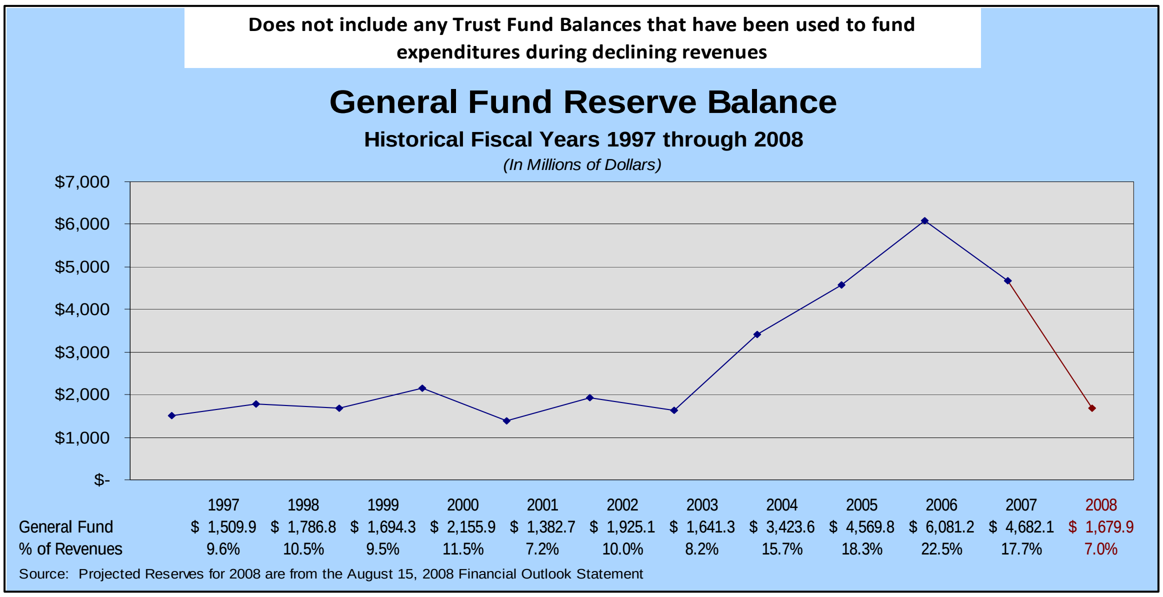
Fiscal Year	**2008**	**2009**	**2010**	**2011**	**2012**
August 2008 Debt Service as % of Revenue	**6.37%**	**6.82%**	**6.93%**	**6.71%**	**6.59%**

A comparison of 2006 debt ratios to national and peer-group averages indicate that Florida's debt ratios are generally higher than the national averages but lower than the peer group averages for all but the benchmark debt ratio. The State's ranking in the ten state peer-group is unchanged from 2005 and remains in the middle of the peer-group. The State has the fourth highest ratio for the benchmark debt ratio of debt service to revenues within the peer group and fifth highest in debt per capita and debt as a percent of personal income.

2006 Comparison of Florida to Peer Group and National Medians			
	Net Tax Supported Debt as a % of Revenues	Net Tax Supported Debt Per Capita	Net Tax Supported Debt as a % of Personal Income
Florida	5.10%	$979	2.84%
Peer Group Mean	4.03%	$1,449	3.89%
National Median	Not Available	$787	2.40%

Reserves

One of the most important indicators of a government's financial strength is its general fund reserves. The combined balance of the Budget Stabilization and General Funds was $4.7 billion or 17.7% of general revenues at June 30, 2007. During the 2006-07 fiscal year, $1.4 billion of reserves were used to offset declines in revenue collections. Additional reserves were used in Fiscal Year 2007-08 to offset the continued decline in revenues resulting in a balance of $1.7 billion which is considered adequate at 7.0% of general revenues. Adequate reserves have been critical in providing the financial flexibility to respond to the deteriorating economic environment.



Overview of the State's Credit Ratings

The State maintained its credit ratings during the past year; however Moody's Investor Services revised the State's rating outlook to negative. Florida was one of many states whose rating outlook was changed due to the weakening economy. The State's conservative financial and budgeting practices, swift response to budget pressures, adequate reserves, moderate debt burden with clear guidelines and a fully funded pension plan are recognized credit strengths. Challenges to the State's outlook are presented by the weaker economy and declining revenues, budgetary pressure for infrastructure and service-related needs of a growing population and the need to maintain adequate reserves. Maintaining ratings will be challenging if the state economy continues to deteriorate.

General Appropriations Act - All Sections

Tier 2 Issues - Critical and Other High Priority Needs

Expenditure projections ($ millions)

Recurring	2008-09	2009-10	2010-11	2011-12
General Revenue	24,973.8	26,817.7	28,111.5	29,570.8
change		1,843.9	1,293.8	1,459.3
% change		7.4%	4.8%	5.2%
Educational Enhancement TF	1,520.4	1,474.5	1,592.6	1,628.1
change		-45.9	118.1	35.5
% change		-3.0%	8.0%	2.2%
State School TF	114.3	244.4	169.3	177.6
change		130.1	-75.1	8.3
% change		113.7%	-30.7%	4.9%
Tobacco Settlement TF	449.4	457.6	459.7	460.0
change		8.2	2.1	0.3
% change		1.8%	0.5%	0.1%
TOTAL	27,058.0	28,994.2	30,333.1	31,836.5
change		1,936.2	1,338.9	1,503.4
% change		7.2%	4.6%	5.0%

Nonrecurring	2008-09	2009-10	2010-11	2011-12
General Revenue	801.1	1,230.2	1,103.7	1,056.5
Educational Enhancement TF	47.5	0.0	0.0	0.0
State School TF	0.0	0.0	0.0	0.0
Tobacco Settlement TF	372.3	0.0	0.0	0.0
TOTAL	1,220.9	1,230.2	1,103.7	1,056.5

TOTAL	2008-09	2009-10	2010-11	2011-12
General Revenue	25,774.9	28,047.9	29,215.2	30,627.3
budget impact		3,074.1	2,397.5	2,515.8
Educational Enhancement TF	1,567.9	1,474.5	1,592.6	1,628.1
budget impact		-45.9	118.1	35.5
State School TF	114.3	244.4	169.3	177.6
budget impact		130.1	-75.1	8.3
Tobacco Settlement TF	821.7	457.6	459.7	460.0
budget impact		8.2	2.1	0.3
TOTAL	28,278.9	30,224.4	31,436.8	32,893.0
budget impact		3,166.4	2,442.6	2,559.9

KEY BUDGET DRIVERS

Long Range Financial Outlook Issues Summary
FY 2009-10 through FY 2011-12

		FY 2009-10		FY 2010-2011		FY 2011-2012	
		Total GR	Total Major TF	Total GR	Total Major TF	Total GR	Total Major TF
	Critical Needs (Includes Annualizations, Mandatory Increases Based on Estimating Conferences, and Other Essential Needs)						
1	Annualize Prior Year New Space - Community Colleges & Universities	10.8	0.0	0.0	0.0	0.0	0.0
2	Education - Adjustments to Maintain Current Base Budget	45.9	(45.9)	0.0	30.2	0.0	0.0
3	Voluntary Pre-Kindergarten - Workload/Enrollment	26.1	0.0	7.0	0.0	6.2	0.0
4	Florida Education Finance Program (FEFP) - Workload/Class Size Reduction	45.8	130.1	89.3	(75.1)	97.3	8.3
5	Post-Secondary Education Bright Futures Scholarships	50.5	0.0	0.0	87.9	1.4	35.5
6	Annualization of State Health Insurance	88.2	0.0	0.0	0.0	0.0	0.0
7	Increases in the State's Self Insurance Program	8.1	4.1	10.2	5.2	5.6	2.9
8	Increases in Employer-paid Benefits for State Employees	58.5	25.2	123.4	52.5	147.9	62.7
9	Conservation and Recreation Lands (CARL) & Save Our Coast Debt	0.0	(5.2)	0.0	(3.9)	0.0	(1.5)
10	Annualization of Human Services Reductions	(4.2)	(2.9)	0.0	0.0	0.0	0.0
11	Medicaid Estimating Conference	221.6	132.9	167.2	168.1	404.1	480.9
12	KidCare Enrollment Growth	19.9	42.4	30.8	72.5	36.7	87.1
13	TANF (Temporary Assistance for Needy Families) Cash Assistance	0.0	1.2	0.0	(6.7)	0.0	2.3
14	Tobacco Constitutional Amendment	0.0	8.2	0.0	2.1	0.0	0.3
15	Judicial - Due Process Costs	39.9	0.0	39.9	0.0	39.9	0.0
16	Annualization of Criminal Justice Estimating Conference (CJEC) Issues	61.9	0.0	0.0	0.0	0.0	0.0
17	Increase in CJEC Prison System Population	84.1	0.0	149.4	0.0	154.0	0.0
18	Criminal Justice - Increased Capacity/Planning and Site Acquisition	346.5	0.0	336.8	0.0	317.4	0.0
19	Fiscally Constrained Counties - Juvenile Justice Detention	6.6	0.0	6.7	0.0	6.9	0.0
20	State Disaster Funding (Declared Disasters)	22.9	0.0	17.3	0.0	10.1	0.0
21	Debt Service & Utilities for State Buildings & Pension Benefits	8.9	0.7	4.2	9.0	1.7	4.8
22	Fiscally Constrained Counties - Property Tax Cap	26.2	0.0	26.2	0.0	26.2	0.0
23	**Subtotal Critical Needs**	1,168.2	290.7	1,008.4	341.8	1,255.3	683.4
24	**Other High Priority Needs** (Includes Other Historically Funded Issues)						
25	Maintenance, Repairs, and Capital Improvements - Statewide Buildings	55.7	21.8	55.7	21.8	56.7	21.8
26	Energy Initiatives	62.4	0.0	62.4	0.0	62.4	0.0
27	Environmental Programs Funded with Documentary Stamp Tax	0.0	158.7	0.0	171.0	0.0	191.3
28	Agriculture & Environmental Programs	132.0	205.2	128.5	208.7	124.9	212.3
29	Other General Government Priorities	5.6	36.2	5.6	31.3	1.9	3.7
30	Transportation Adopted Work Program FY 2008-2013	0.0	6,356.0	0.0	6,287.1	0.0	7,023.4
31	Other Transportation & Growth Management Priorities	5.1	78.3	5.1	78.3	5.1	78.3
32	Economic Development Programs	121.3	6.0	121.3	6.0	121.3	6.0
33	National Guard Armories - Repairs and Renovations	3.1	0.0	3.1	0.0	3.1	0.0
34	Cultural, Historical, Workforce, and Highway Safety Priorities	90.1	2.0	79.7	2.0	79.7	2.0
35	Community Colleges - Workload/Enrollment	41.1	0.0	38.2	0.0	33.0	0.0
36	State Universities - Workload/Enrollment	65.5	0.0	67.1	0.0	59.0	0.0
37	Florida Education Finance Program (FEFP) 3 Year Average Percent Increase per FTE	453.6	0.0	359.6	0.0	263.9	0.0
38	Public Schools - Other Issues	37.9	0.0	12.7	0.0	11.1	0.0
39	Community Colleges - Challenge Grants	60.0	0.0	60.0	0.0	60.0	0.0
40	Community Colleges - Other Issues	8.5	0.0	0.0	0.0	0.0	0.0
41	State Universities - Challenge Grants	81.9	0.0	81.9	0.0	81.9	0.0
42	Other Education - Adjustments	10.2	0.0	4.3	0.0	3.1	0.0
43	State Universities - Other issues	35.1	0.0	6.5	0.0	2.1	0.0
44	State Employee Salary Increases	160.3	67.0	164.3	68.7	168.4	70.4
45	Medicaid for Aged and Disabled, Medically Needy and Low Income Pool/Special Payments	317.8	422.6	25.0	30.7	25.0	30.7
46	Developmentally Disabled Services	24.0	21.5	11.0	12.3	1.0	0.0
47	Children and Family Services	80.6	20.9	45.8	12.0	45.8	12.0
48	Health Services	22.3	2.9	19.4	7.1	18.8	5.6
49	Human Services - Information Technology Infrastructure	0.0	5.8	0.0	5.8	0.0	5.8
50	Department of Corrections Workload and Services	3.5	0.0	3.5	0.0	3.5	0.0
51	Department of Juvenile Justice Private Provider Per-Diem Increase	3.4	0.0	3.4	0.0	3.4	0.0
52	Department of Juvenile Justice Prevention and Intervention Programs	6.7	0.0	6.7	0.0	6.7	0.0
53	Court System Workload - New Judges and Support Positions	5.0	0.0	5.0	0.0	5.0	0.0
54	Small County Courthouses - Capital Outlay Grants	5.0	0.0	5.0	0.0	5.0	0.0
55	State Attorney, Public Defender, and Regional Counsel Workload	8.0	0.0	8.3	0.0	8.5	0.0
56	**Subtotal Other High Priority Needs**	1,905.9	7,405.1	1,389.0	6,942.9	1,260.5	7,663.3
57	**Total Tier 1 - Critical Needs**	1,168.2	290.7	1,008.4	341.8	1,255.3	683.4
58	**Total Tier 2 - Critical Needs Plus Other High Priority Needs**	3,074.1	7,695.8	2,397.5	7,284.7	2,515.8	8,346.7

General Appropriations Act Sections 1 & 2 - Education

Tier 2 Issues - Critical and Other High Priority Needs
Expenditure projections ($ millions)

Recurring	2008-09	2009-10	2010-11	2011-12
General Revenue	12,902.5	13,652.8	14,236.7	14,713.8
change		750.3	583.9	477.1
% change		5.8%	4.3%	3.4%
Educational Enhancement TF	1,520.4	1,474.5	1,592.6	1,628.1
change		-45.9	118.1	35.5
% change		-3.0%	8.0%	2.2%
State School TF	114.3	244.4	169.3	177.6
change		130.1	-75.1	8.3
% change		113.7%	-30.7%	4.9%
TOTAL	14,537.3	15,371.7	15,998.6	16,519.5
change		834.4	626.9	520.9
% change		5.7%	4.1%	3.3%

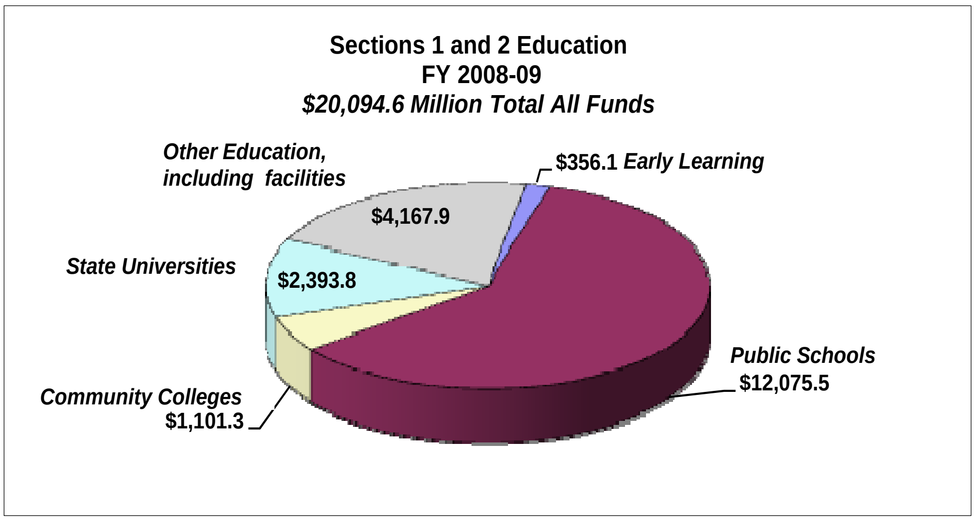
Nonrecurring	2008-09	2009-10	2010-11	2011-12
General Revenue	141.7	222.7	142.7	142.0
Educational Enhancement TF	47.5	0.0	0.0	0.0
State School TF	0.0	0.0	0.0	0.0
TOTAL	189.2	222.7	142.7	142.0

TOTAL	2008-09	2009-10	2010-11	2011-12
General Revenue	13,044.2	13,875.5	14,379.5	14,855.8
budget impact		973.0	726.6	619.1
Educational Enhancement TF	1,567.9	1,474.5	1,592.6	1,628.1
budget impact		-45.9	118.1	35.5
State School TF	114.3	244.4	169.3	177.6
budget impact		130.1	-75.1	8.3
TOTAL	14,726.5	15,594.4	16,141.4	16,661.5
budget impact		1,057.1	769.6	662.9

SECTIONS 1 AND 2 - EDUCATION

SUMMARY

Funding for Florida's education budget is provided in sections 1 and 2 of the General Appropriations Act and includes programs for Early Learning (Voluntary Prekindergarten), K-12 Public Schools, Workforce Training, Community Colleges, and State Universities, as well as financial assistance to students and private colleges. For Fiscal Year 2008-09, the Legislature appropriated a total of $20.1 billion for the operation of these programs and related facility costs (excluding local revenue and student fees).



The long range financial outlook (both Critical Needs and Other High Priority Needs items) projects increases in recurring general revenue spending for Education of $750.3 million (+5.8%) in Fiscal Year 2009-10; $583.9 million (+4.3%) in Fiscal Year 2010-11; and $477.1 million (+3.4%) in Fiscal Year 2011-12.

In addition to these recurring increases, nonrecurring General Revenue of $222.7 million is projected to be needed in FY 2009-10; $142.7 million in FY 2010-11; and $142.0 million in FY 2011-12.

ASSUMPTIONS AND DISCUSSION OF MAJOR BUDGET DRIVERS

General - Projected education budget requirements from the General Revenue Fund, the Educational Enhancement Trust Fund (EETF), the Principal State School Trust Fund, postsecondary student fees, and public school ad valorem revenues have been developed for the 2009-10, 2010-11, and 2011-12 fiscal years by making adjustments to Fiscal Year 2008-09 education funding levels based on workload assumptions and other factors. The projections and major policy assumptions are described below.

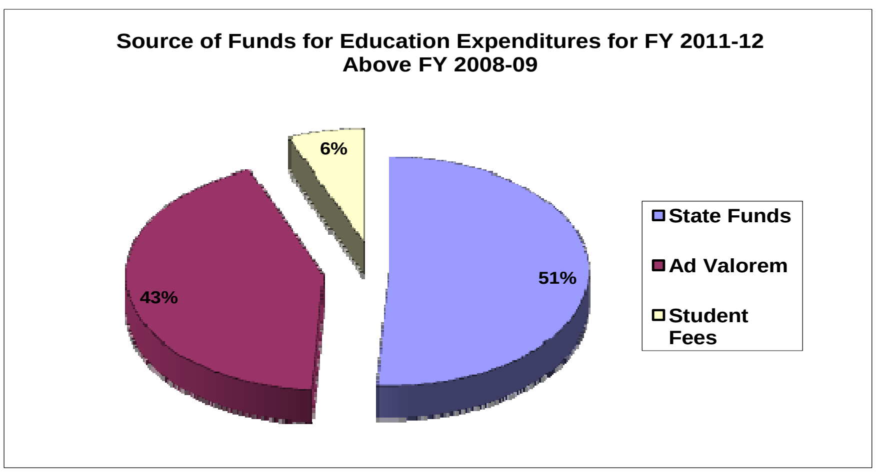
1) The projections assume that available recurring trust funds will be fully utilized before budgeting additional general revenue funds.

2) Assuming that the legislatively authorized millage rates (i.e., 5.136 required, .498 discretionary, and .25 equalized discretionary) remain unchanged throughout the three year forecast period, recurring ad valorem revenues to support public school costs are expected to increase by $725.2 million, or 7.7%, by Fiscal Year 2011-12 due to the projected growth in the ad valorem tax roll.

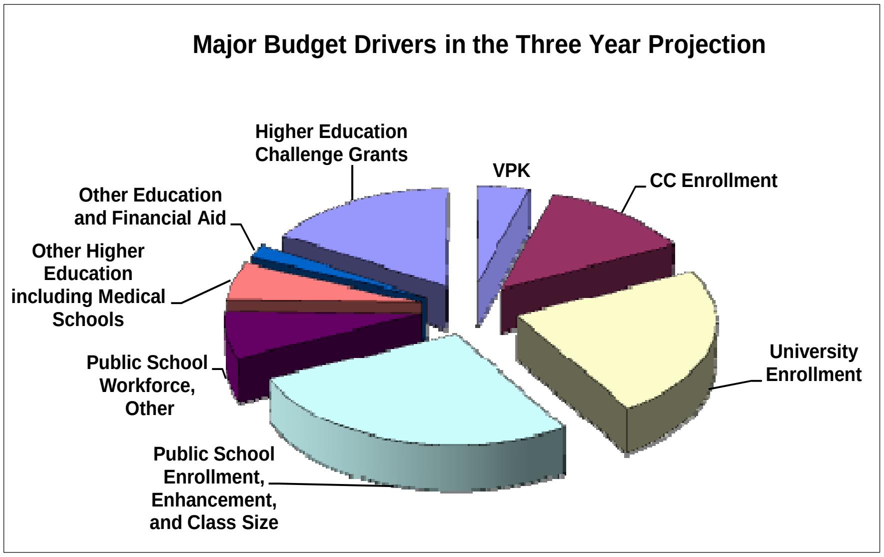
3) These estimates are based on current law and would change if the current structure of ad valorem taxation and required local effort is modified by adoption of a proposed constitutional amendment in November 2008, entitled "Eliminating State Required School Property Tax and Replacing with Equivalent State Revenues to Fund Education."

4) Assumed annual tuition increases of five percent for public school workforce programs, community colleges, and state universities will produce an estimated increase in recurring fee revenues of $244.1 million by Fiscal Year 2011-12.

5) The balance of the projected growth in recurring expenditures over the three year forecast period is projected to come from state funds.



6) The growth in projected expenditures over the three year period is primarily attributable to three issues: increased student enrollment in public schools (17,400 students), community colleges (17,369 students), and state universities (10,574 students); increased student enrollment in Voluntary Prekindergarten Programs (11,086 students); continued phase-in of constitutionally mandated class size reduction requirements in public schools; and enhancements for public school operations.

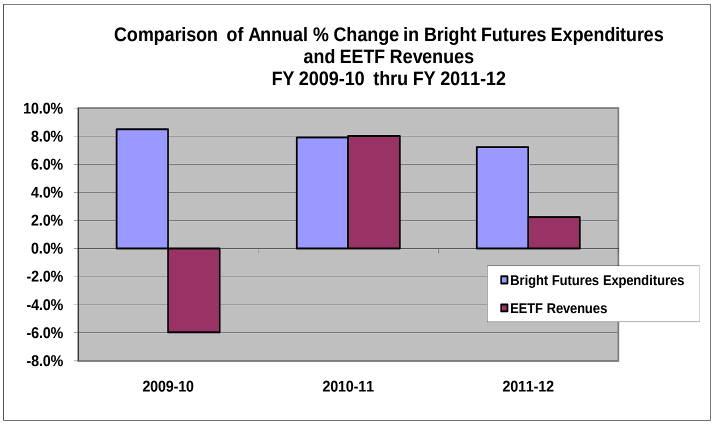


7) The Fiscal Year 2008-09 budget includes additional funding for reducing the statewide average public school class size by two students annually based on the need in kindergarten through grade 3 only, as the class sizes in grades 4-12 are at or near the constitutional maximums when measured at the school level. As a Critical Need, additional recurring general revenue of $287.7 million by Fiscal Year 2011-12 is provided to continue this policy.

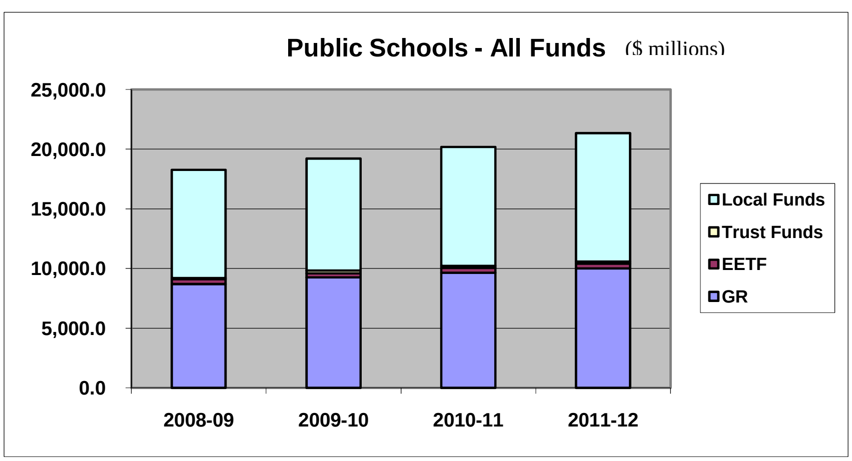
8) General Revenue funds are also included in the forecast to replace funds from the Educational Enhancement Trust Fund (EETF). The replacement is necessary because EETF proceeds available for education are not projected to increase sufficiently during the forecast period to address the growing costs of the Bright Futures Program, as well as the other programs funded by the EETF.

Educational Enhancement Trust Fund (EETF) Revenues – Estimated total recurring EETF revenues, comprised of Lottery and slot machine revenue available to support education for the forecast period, are based on the Revenue Estimating Conference projections of July 2008, including any law changes from the 2008 session. First, sufficient revenues are budgeted to fund Bright Futures Scholarship payments based on the number of eligible recipients projected by the Office of Economic and Demographic Research[1], using **annual tuition increases of five percent for community colleges and state universities**. These tuition increases are in line with past legislative actions, are within the actuarial assumptions for the Florida Prepaid Tuition Program, and will maintain Florida's tuition rates at levels below national and regional averages. After covering these requirements, remaining revenues are allocated to public schools, community colleges, and state universities.

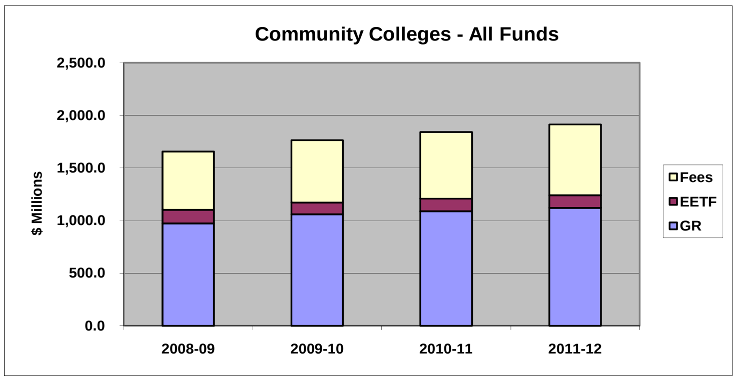
[1] Estimates derived from the March 2008 Student Financial Aid Conference results.



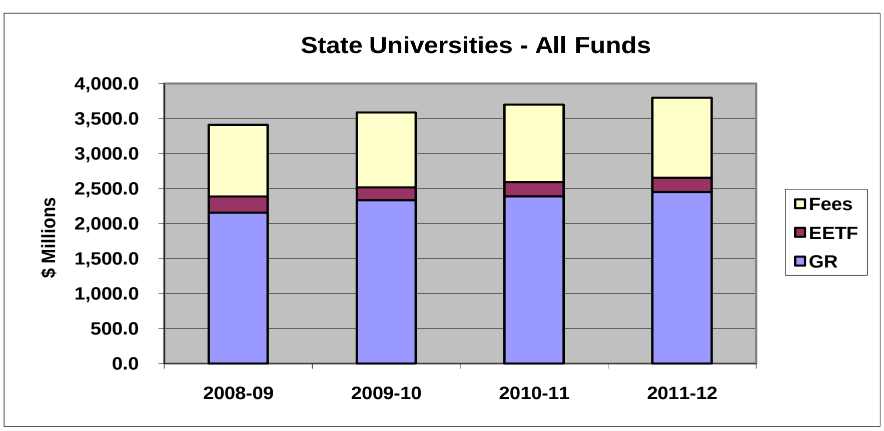
Public Schools Operating Costs – Ad valorem revenues projected to be available to support public schools are forecasted by applying the **current certified required local effort (RLE) millage rate of 5.136** to the projected tax roll for each of the forecast years. The tax rolls for 2009 through 2011 were projected by the Ad Valorem Estimating Conference in August 2008. The projected RLE has not been adjusted for any estimated impacts resulting from the constitutional amendment ("Eliminating State Required School Property Tax and Replacing with Equivalent State Revenues to Fund Education") proposed for consideration in November 2008. Critical Needs funding is projected to cover class size reduction operating costs and enrollment growth operating costs. Long term enrollment growth for the three forecast years is based on estimates from the July 2008 Public Schools Enrollment Estimating Conference. Other High Priority Needs projections increase Florida Education Finance Program (FEFP) funds by the historical three year average percentage increase per FTE for each of the forecast years. In addition, funds are included in the Other High Priority Needs projections for workload and restoration of non-recurring funds for the Excellent Teaching Program, Workforce Education, the Ready to Work Program, the Florida Information Resource Network (FIRN), and the Florida School for the Deaf and the Blind. **For public school workforce programs, the projections contemplate a five percent annual increase in student fees.**



Community Colleges – Critical Needs funding includes the projected cost to annualize prior year new space operations. Other High Priority Needs projections provide funds for enrollment growth based on the Office of Economic and Demographic Research's demographic forecast and per student funding increases of 1% per year over the forecast period. Funds are also provided in Other High Priority Needs projections for the phase-in of new physical space operations (projection based on historical average), the restoration of the nonrecurring appropriation for the State College System, and to match private donations through the operating challenge grant program (projection based on historical average). **The projections contemplate a five percent annual increase in student tuition.**



State Universities – Critical Needs funding includes the projected cost to annualize prior year new space operations. Other High Priority Needs projections provide funds for enrollment growth based on the Office of Economic and Demographic Research's demographic forecast and per student funding increases of 1% per year over the forecast period. Funds are also provided in Other High Priority Needs projections for the phase-in of new physical space operations (projection based on historical average), for the continued phase-in of the FIU and UCF medical schools, and to match private donations through the operating challenge grant program (projection based on historical average). **The projections contemplate a five percent annual increase in undergraduate student tuition.**



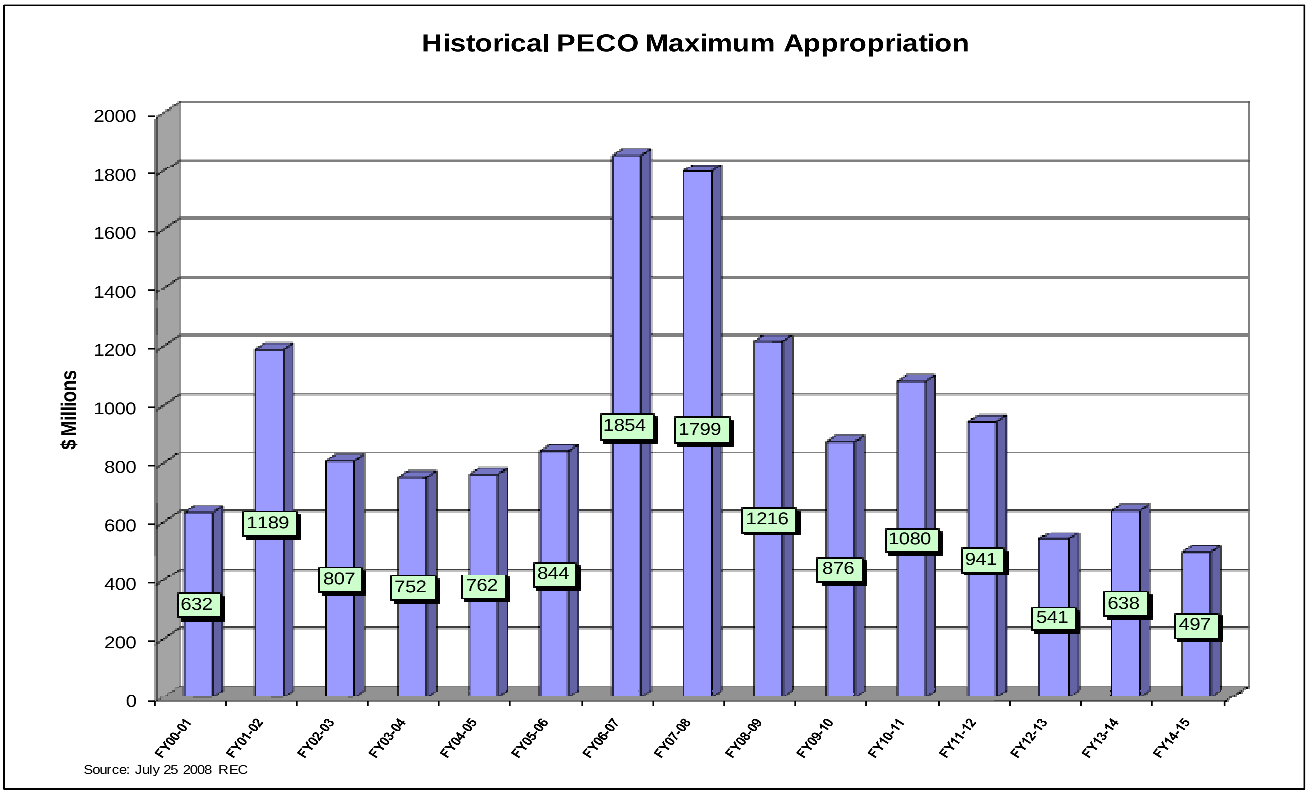
Early Learning (Voluntary Prekindergarten Program) – Critical Needs funding is projected for the Voluntary Prekindergarten Program for enrollment increases determined by the July 2008 Early Learning Programs Estimating Conference. The base student allocation is maintained at the 2008-09 level in each of the three forecast years.

Other Education – Critical Needs funding is projected for Bright Futures growth for increases in the number of eligible students and the projected tuition increases of five percent for Community Colleges and State Universities. Funds are also provided in Other High Priority Needs projections for workload increases based on the Office of Economic and Demographic Research's demographic forecast for postsecondary education for the Florida Student Assistance Grant Program, the Children and Spouses of Deceased or Disabled Veterans Program, the Florida Resident Access Grant Program, and the Access to Better Learning and Education Grant Program. In addition, non-recurring funds appropriated in the 2008-09 fiscal year are restored in Other High Priority Needs projections.

Fixed Capital Outlay (FCO)

University and Community College Facilities Challenge Grants - The long range financial outlook assumes general revenue will be needed to fund facilities challenge grants in Fiscal Years 2009-2010 through 2011-12. Annual funding for challenge grants, considered a high priority need in the long range financial outlook, is based on historical averages for the past three years for both the Community College Facilities Challenge Grant Program and the State University Facilities Challenge Grant Program.

Public Education and Capital Outlay (PECO) - The maximum appropriation available for Public Education and Capital Outlay (PECO) is officially estimated from bond proceeds and cash available from a 2.5% tax on gross receipts from the sale of electricity, gas, and co-generated electrical power transmission, and a 2.3% tax on the sale of communication services established in s. 203.01, Florida Statutes. These revenues have been earmarked by constitutional amendment for fixed capital outlay needs of public schools, community colleges, and state universities. The State Constitution also authorizes the issuance of bonds for public education capital outlay construction. Funding for PECO appropriations for Fiscal Years 2009-10 through 2011-2012 is assumed to be at the level projected by the PECO Estimating Conference held in July 2008 (see chart below).



OTHER CONSIDERATIONS

The Long-Range Financial Outlook is based on events that are known or likely to occur. However, there are some risks that would significantly alter key assumptions were they to come to pass. Some of those risks and their potential ramifications are as follows:

- Other than the amount currently authorized, there are no funds in the Outlook to build additional classrooms for Class Size Reduction (CSR). The need for new classrooms is partly dependent upon legislative policy regarding the utilization of existing public school facilities since the public school student enrollment projection for 2011-12 is only 7,665 FTE greater than the 2005-06 enrollment level. For example, if school districts are required to redraw attendance zones or institute other facility utilization strategies, few if any additional classrooms may be needed.

- The Educational Enhancement Trust Fund faces a projected deficit for the 2008-09 fiscal year. The Outlook assumes that the deficit will be resolved during this fiscal year in accordance with constitutional and statutory requirements. Depending on the specific solution chosen, the Outlook for the EETF and other funds may be altered in the subsequent years.

- Following “current-law, current-administration” guidelines for the development of this document, the Outlook makes no assumptions regarding the passage of the Florida Taxation and Budget Reform Commission’s proposed constitutional amendment entitled “Eliminating State Required School Property Tax and Replacing with Equivalent State Revenues to Fund Education.”

- The Outlook is based on a limited number of major cost drivers. Historically, the Legislature has funded many other issues in addition to these drivers. Consequently, the expenditure projections in the Outlook may be conservative.

General Appropriations Act Section 3 - Human Services

Tier 2 Issues - Critical and Other High Priority Needs

Expenditure projections ($ millions)

Recurring	2008-09	2009-10	2010-11	2011-12
General Revenue	7,109.5	7,714.0	7,948.1	8,424.5
change		604.6	234.1	476.4
% change		8.5%	3.0%	6.0%
Tobacco Settlement TF	449.4	457.6	459.7	460.0
change		8.2	2.1	0.3
% change		1.8%	0.5%	0.1%

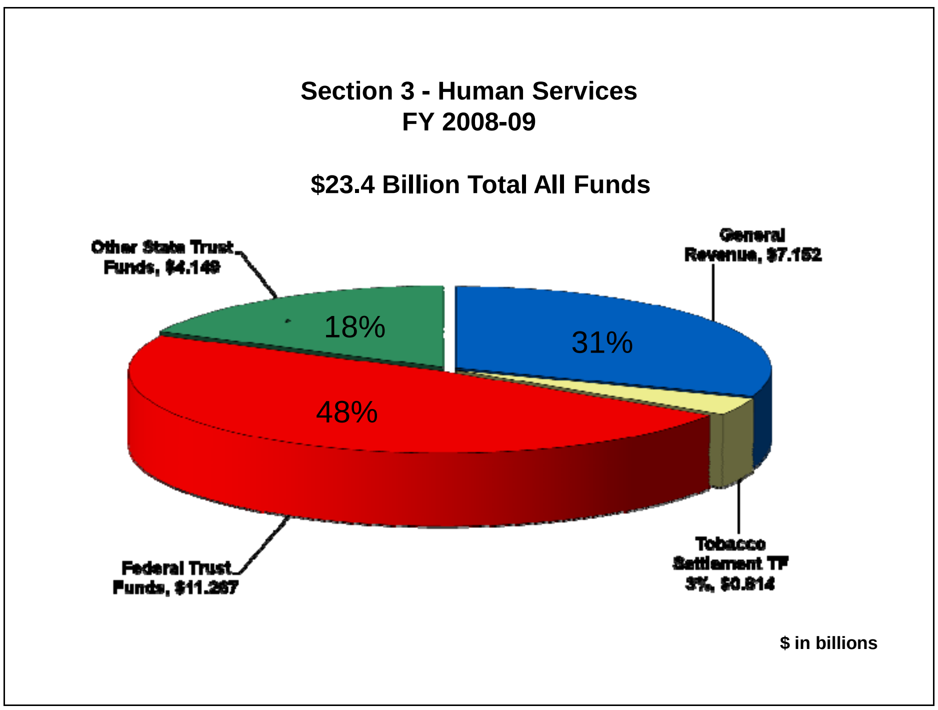
Nonrecurring	2008-09	2009-10	2010-11	2011-12
General Revenue	48.0	108.0	95.5	85.5
Tobacco Settlement TF	372.3	0.0	0.0	0.0

TOTAL	2008-09	2009-10	2010-11	2011-12
General Revenue	7,157.5	7,822.0	8,043.6	8,510.0
budget impact		712.6	329.6	561.9
Tobacco Settlement TF	821.7	457.6	459.7	460.0
budget impact		8.2	2.1	0.3

SECTION 3 – HUMAN SERVICES

SUMMARY

The Human Services section of the General Appropriations Act includes the following agencies: Agency for Health Care Administration; Agency for Persons with Disabilities; Department of Children and Family Services; Department of Elder Affairs; Department of Health; and Department of Veterans' Affairs. These agencies are funded with a combination of state general revenue, tobacco trust funds, federal funds, private grants and state trust funds. Many health and human services programs are eligible to earn federal matching funds. Maximization of federal funds has been a state priority for many years; however, it is important to note that most federal funding requires state matching funds, and therefore, total federal receipts vary based on the availability of state match. Of the $23.4 billion total budget for Fiscal Year 2008-09, $7.2 billion is funded from state general revenue, $813.8 million is funded from the Tobacco Settlement Trust Fund, $4.1 billion is funded from other state trust funds and $11.3 billion is funded from federal trust funds.



Source: Actual Appropriations for Fiscal Year 2008-2009 Adjusted for Supplementals and Vetoes

The Long-Range Financial Outlook projects critical need and other high priority need increases in recurring general revenue spending for Human Services of $604.6 million (+8.5%) in Fiscal Year 2009-10; $234.1 million (+3.0%) in Fiscal Year 2010-11; and $476.4 million (+6.0%) in Fiscal Year 2011-12.

In addition to these recurring increases, nonrecurring general revenue of $108 million is projected to be needed in FY 2009-10; $95.5 million in FY 2010-11; and $85.5 million in FY 2011-12.

ASSUMPTIONS AND DISCUSSION OF MAJOR BUDGET DRIVERS

General - Projected health and human services budget requirements from general revenue and other state and federal trust funds have been developed for the 2009-10, 2010-11 and 2011-12 fiscal years by adjusting the Fiscal Year 2008-09 funding levels based on workload assumptions and other factors. The financial outlook includes additional funding based on the following assumptions.

1) The projections for Medicaid, KidCare, and Temporary Assistance for Needy Families (TANF) cash assistance are determined annually through formal estimating conferences, which project caseloads and program costs.

2) The projections for tobacco settlement funds are determined annually through formal estimating conferences, which project revenues from the tobacco settlement agreement.

3) Historical funding averages were used to project future appropriations for Fiscal Years 2009-10 through 2011-12 for all other human services programs.

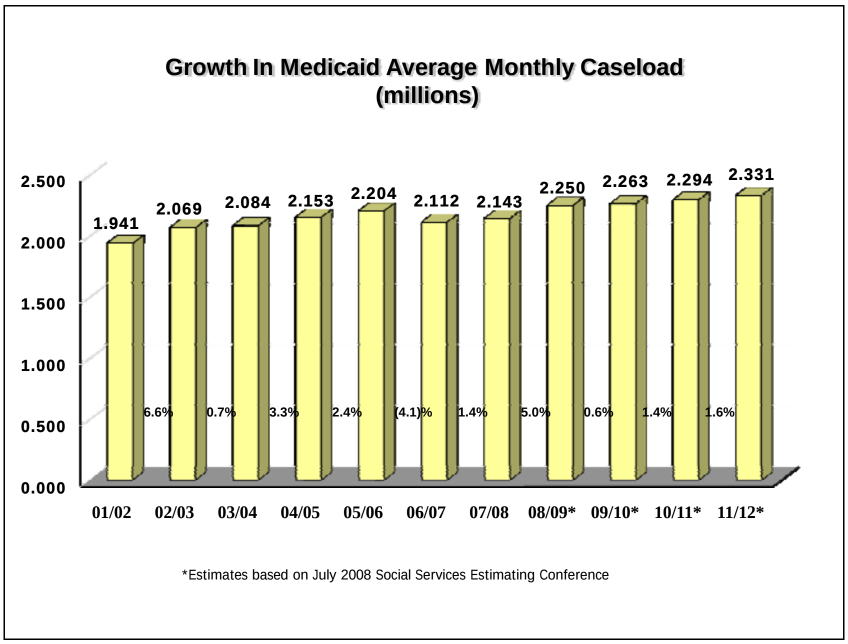
Critical Needs

Annualizations - The Outlook includes a reduction of $7.1 million ($4.2m General Revenue) to annualize the following budget reductions taken in Fiscal Year 2008-09: closure of the 100-bed South Florida Evaluation and Treatment Center Annex forensic facility; implementation of prior authorization of Medicaid inpatient hospitalization to include elective cesarean sections; reduction of the MediPass case management fee; and increased managed care enrollment.

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. The state participation for Florida is 44.54% and the federal participation is 55.46% for Fiscal Year 2008-09. Medicaid is the second largest single program in the state budget behind public education, representing 23.2% of the total state budget, and is the largest source of federal funding for the state. Medicaid recurring general revenue expenditures are consuming a growing share of recurring general revenue funds appropriated, increasing to 17.1% in Fiscal Year 2008-09.

Caseload

Medicaid caseload grew by more than 13% from fiscal years 2001-02 to 2005-06. The enrollment growth was attributed to an increase in the number of low-income persons newly eligible for Medicaid, especially children and elders, resulting partially from the impact of a recession beginning in March 2001 and ending in November of that same year. Fiscal Year 2005-06 marked a slowing in Medicaid program enrollment growth to just 2.4%. Enrollment actually declined by 4.1% to 2.1 million recipients in Fiscal Year 2006-07. The last time the program experienced a decline in enrollment was in Fiscal Year 1997-98. Slower enrollment was mostly attributable to the improving economy and federally required documentation of citizenship resulting in fewer individuals becoming eligible for the program. Enrollment growth increased slightly to 1.4% in Fiscal Year 2007-08 and is estimated to increase by 5% in FY 2008-09 for a total of 2.2 million recipients.



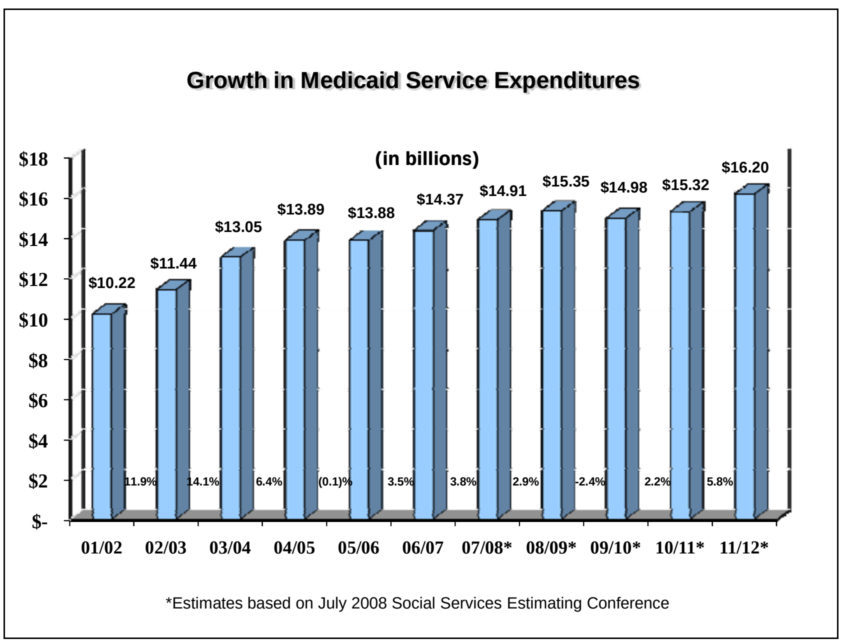
Over the three-year forecast period, Medicaid caseload growth is projected to be fairly stable with growth rates of 0.6% for Fiscal Year 2009-10, 1.4% for Fiscal Year 2010-11 and 1.6% for Fiscal Year 2011-12.

Medicaid Caseload Estimates

	FY 08-09	FY 09-10	FY 10-11	FY 11-12
Caseload	2,250,269	2,263,156	2,294,476	2,331,212
Increase		12,887	31,320	36,736
Percent		0.57%	1.38%	1.60%

Expenditures
Medicaid expenditures grew at an average annual rate of 10.8% between Fiscal Year 2001-02 and Fiscal Year 2004-05 to almost $14 billion. The primary factors contributing to expenditure growth were prescription drug costs, increasing costs of medical services, long-term care and enrollment growth. This growth persisted despite legislative efforts in implementing new Medicaid cost control measures primarily related to prescription drugs, freezing or reducing provider payment rates, and eliminating optional services. Medicaid expenditure growth declined by 0.1% in Fiscal Year 2005-06. The decline in expenditures was primarily due to slowing enrollment growth, savings attributable to the inclusion of mental health drugs on the Medicaid preferred drug list and implementation of Medicare Part D effective January 1, 2006 that shifted coverage of prescription drugs for Medicare/Medicaid dual eligibles from Medicaid to Medicare. States are required, however, to make monthly general revenue payments to the Medicare program under the maintenance of effort or "clawback" provision for Medicare/Medicaid dual eligibles. These payments are not matched with federal funds but are included in the total expenditures for the Medicaid program. The expenditure growth rate averaged more than 3% per year during Fiscal Years 2006-07 and 2007-08. The growth rate for Fiscal Year 2008-09 is estimated to be 2.9% with expenditures more than $15 billion.

The Medicaid program is increasingly serving populations with very serious and expensive health care needs – frail seniors, people with HIV/AIDS, ventilator-dependent children, and other individuals with serious mental and physical disabilities. While the elderly and disabled represent an estimated 33% of the total Medicaid caseload, they account for almost 70% of Medicaid spending. Medicaid provides expensive chronic care and long-term care services that are largely unavailable anywhere else in the health care system. Demographic trends suggest that these cost pressures will continue to increase. With a growing elderly population, it is critical to control long-term care spending.



Over the three-year forecast period, Medicaid expenditures are projected to decline by 2.4% for Fiscal Year 2009-10 and then increase by 2.2% for Fiscal Year 2010-11 and 5.8% for Fiscal Year 2011-12. The reason for the decline in expenditures in Fiscal Year 2009-10 is due to the sunset of the Medicaid for the Aged and Disabled (MEDS/AD) program and the Medically Needy program, except for pregnant women and children on June 30, 2009. Additionally, the 2008 Legislature passed legislation that froze the unit cost reimbursement rates for the next two fiscal years for hospitals, nursing homes, county health departments, community intermediate care facilities for the developmentally disabled and prepaid health plans thereby not allowing for automatic price level increases. Price level increases were included for these services in the estimates for Fiscal Year 2011-12. The Outlook includes an increase in general revenue funds for Medicaid expenditures of $221.6 million in Fiscal Year 2009-10, $167.2 million in Fiscal Year 2010-11 and $404.1 million in Fiscal Year 2011-12.

Medicaid Expenditure Estimates

	FY 08-09*	FY 09-10	FY 10-11	FY 11-12
Expenditures				
General Revenue	$4,386.9m	$4,608.5m	$4,775.7m	$5,179.8m
Increase		$221.6m	$167.2m	$404.1m
Percent		5.05%	3.63%	8.46%

*Base budget adjusted for non-recurring funds.

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 and inflation were projected based on historical trends and methodologies used by the July 2008 Social Services Estimating Conference. The estimates hold the unit costs flat for hospitals, nursing homes, county health departments, community intermediate care facilities for the developmentally disabled and prepaid health plans, for Fiscal Years 2009-10 and 2010-11, in accordance with chapter 2008-143, Laws of Florida. The estimates include normal growth for price level increases for these services in Fiscal Year 2011-2012.
- **Federal Medical Assistance Percentage -** The federal matching rate for Fiscal Year 2008-09 is 55.46% (a reduction of 1.45% from 56.91% in FY 2007-08). The Outlook uses the federal matching rate of 55.13% (a reduction of 0.33% from FY 2008-09) for state fiscal years 2009-10, 2010-11 and 2011-12. This reduction of federal support increases the need for general revenue funds and this impact is included in the estimates.
- **Medicaid for the Aged and Disabled (MEDS/AD) -** The optional MEDS/AD program will sunset June 30, 2009 in accordance with chapter 2008-143, Laws of Florida. The Fiscal Year 2008-09 appropriations eliminated the recurring funds and restored the program with non-recurring funds of $355.6 million; the state

share of $152.7 million was funded from the Tobacco Settlement Trust Fund with funds transferred from the Lawton Chiles Endowment Fund. Following "current-law, current-administration" guidelines, the Social Services Estimating Conference **did not** include funding for this program. Other high priority needs projections provide funding to continue the program.

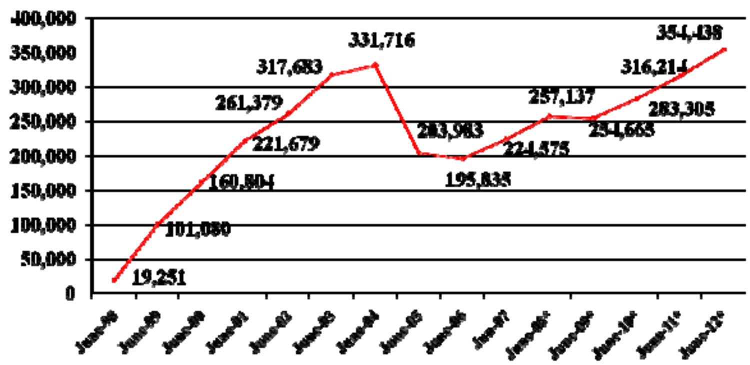
- **Medically Needy -** The optional Medically Needy program, except for pregnant women and children, will sunset June 30, 2009 in accordance with chapter 2008-143, Laws of Florida. The Fiscal Year 2008-09 appropriations eliminated the recurring funds and restored the program with non-recurring funds of $349.5 million; the state share of $148.1 million was funded from the Tobacco Settlement Trust Fund with funds transferred from the Lawton Chiles Endowment Fund. Following "current-law, current-administration" guidelines, the estimating conference **did not** include funding for this program. Other high priority needs projections provide funding to continue the program.

KidCare Program - KidCare is the state's children's health insurance program provided under the federal State Children's Health Insurance Program (SCHIP) - 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% of the federal poverty level ($42,400 for a family of four). SCHIP is a federal and state matching program. The state participation for Florida is 31.22% and the federal participation is 68.78% for Fiscal Year 2008-09. Unlike Medicaid, KidCare is not an entitlement program and the federal allotment is capped. Florida's federal allotment for Federal Fiscal Year 2009 is $302.9 million.

The KidCare program consists of Medicaid for babies (birth to age 1); Medikids, a Medicaid look-alike program for pre-school children (ages 1 to 5); Florida Healthy Kids for school aged children (ages 5 to 19); and Children's Medical Services for children with special medical or behavioral health needs (from birth to age 19). The KidCare program also provides services to a limited number of non-Title XXI eligibles who include legal non-citizens and families that pay the full premium. The program is funded at $471.9 million in Fiscal Year 2008-09, of which $142.3 million is state matching funds ($54.7 million of general revenue and $87.6 million of tobacco settlement funds).

KidCare enrollment increased steadily through Fiscal Year 2003-04. The 2004 Legislature passed legislation limiting enrollment to open enrollment periods and required additional documentation of family income. As a result of these changes, enrollment in the program declined. The 2005 Legislature restored authority for enrollment to occur throughout the year. The Title XXI caseload as of May 2008 was 228,596. (There were 26,019 additional children enrolled in the program who are non-Title XXI eligible.)

Florida KidCare Title XXI Enrollment



* February 2008 KidCare Estimating Conference, updated for actual enrollment

Over the three-year forecast period, caseload growth is projected to be 11.25% for Fiscal Year 2009-10, 11.62% for Fiscal Year 2010-11 and 12.09% for Fiscal Year 2011-12. This growth will provide for increased enrollment of 28,640 children in Fiscal Year 2009-10, 32,909 children in Fiscal Year 2010-11 and 38,224 children in Fiscal Year 2011-12. The Outlook includes an increase in general revenue funds for the KidCare program of $19.9 million in Fiscal Year 2009-10, $30.8 million in Fiscal Year 2010-11 and $36.7 million in Fiscal Year 2011-12.

KidCare Program Estimates

	FY 08-09	FY 09-10	FY 10-11	FY 11-12
Caseload	254,665	283,305	316,214	354,438
Increase		28,640	32,909	38,224
Percent		11.25%	11.62%	12.09%

	FY 08-09	FY 09-10	FY 10-11	FY 11-12
Expenditures				
State Funds	$142.3m	$162.2m	$193.0m	$229.7m
Increase		$19.9m	$30.8m	$36.7m
Percent		13.98%	18.99%	19.02%

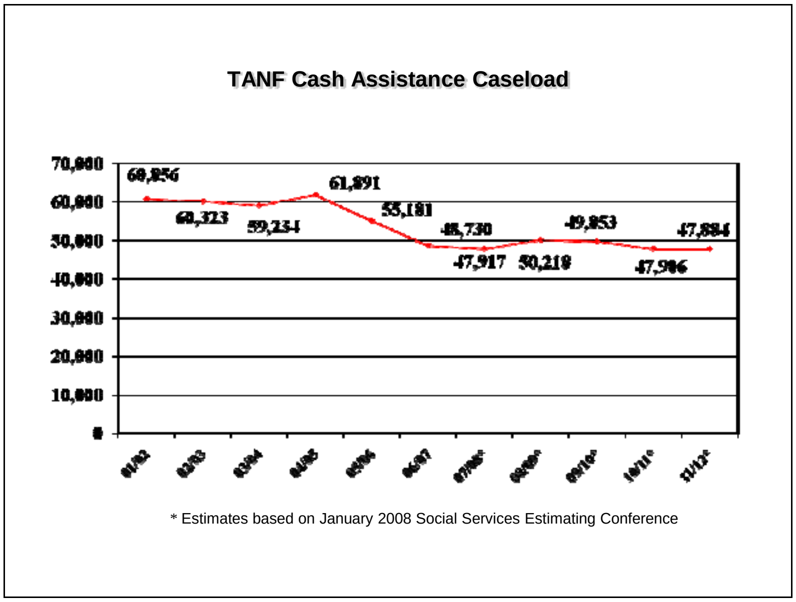
Major policy assumptions and projections for critical needs related to KidCare expenditures for the forecast period are described below:

- **Social Services Estimating Conference** - The estimated costs for caseload growth, utilization and inflation were projected based on historical trends and methodologies used by the February 2008 Social Services Estimating Conference, adjusted for actual caseloads through May 2008. The Florida Healthy Kids growth rate was reduced from 1.0% to 0.6% for Fiscal Year 2008-09 and from 1.3% to 0.6% for Fiscal Years 2009-10, 2010-11 and 2011-12 based on 18 months of actual growth.

- **Federal Medical Assistance Percentage** - The federal matching rate for Fiscal Year 2008-09 is 68.78% (down from 69.78% in FY 2007-08). The Outlook uses the federal matching rate of 68.78% for State Fiscal Years 2009-10, 2010-11 and 2011-12.
- **Reauthorization** - The State Children's Health Insurance Program (SCHIP) was authorized and funded for ten years from Federal Fiscal Years 1998 through 2007. After a continuing resolution, Congress extended the program through March 2009 in the Medicare, Medicaid, and SCHIP Extension Act of 2007. The Outlook assumes that the federal government will reauthorize the SCHIP program beyond March 2009. Future federal allotments have been estimated at the Federal Fiscal Year 2009 amount of $302.9 million. Beginning in Fiscal Year 2008-09, the estimated federal expenditures will exceed the annual federal allotment; however, sufficient carry forward funds are available from prior year grants to fund the expenditures through Fiscal Year 2009-10. Absent an increase in the federal allotments, sufficient federal funds **are not** available to fund estimated expenditures beginning in Fiscal Year 2010-11.

Temporary Assistance for Needy Families - 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 for needy families. Florida's federal block grant allotment is $622.7 million for Fiscal Year 2008-09, including supplemental grant funds of $60.4 million. The TANF block grant has an annual cost-sharing requirement referred to as maintenance of effort or MOE. States are required to spend 80% of the state funds expended under the former Aid to Families with Dependent Children (AFDC) program or 75% if federal work participation requirements are met (50% all-family rate and 90% two-parent family rate). Because Florida has met the work participation requirements, the required minimum MOE is $368.4 million (75%) of state funds to help eligible families in ways consistent with the TANF program. States are subject to penalties if MOE is not met. The impact to Florida would be an increase of MOE by 5% or $24.5 million; the loss of MOE would have to be made up with state funds that do not currently count towards MOE, and there is a potential loss of up to 5% of TANF federal funds. The federal Department of Health and Human Services recently issued new rules that will become effective October 1, 2008 that will make it more difficult for states to meet MOE.

Florida's cash assistance caseload has declined from 184,554 in Fiscal Year 1996-97 to an estimated 47,917 in Fiscal Year 2007-08. For the first time since Fiscal Year 2004-05, caseload growth is projected to increase by 4.8% from Fiscal Year 2007-08 to Fiscal Year 2008-09 due to the anticipated loss of jobs and income during the economic downturn.



* Estimates based on January 2008 Social Services Estimating Conference

Over the three-year forecast period, cash assistance caseload growth is projected to slowly decline by 0.7% in Fiscal Year 2009-10, 3.9% in Fiscal Year 2010-11 and 0.5% in Fiscal Year 2011-12. The Outlook includes adjustments to TANF funds as follows: an increase of $1.2 million in Fiscal Year 2009-10; a reduction of $6.7 million in Fiscal Year 2010-11; and an increase of $2.3 million in Fiscal Year 2011-12. Although caseloads are projected to decline, the average grant per person is estimated to increase.

TANF Estimates

	FY 08-09	FY 09-10	FY 10-11	FY 11-12
Caseload	50,218	49,853	47,906	47,884
Increase/Decrease		(365)	(1,947)	(22)
Percent		-0.73%	-3.91%	-0.05%

	FY 08-09	FY 09-10	FY 10-11	FY 11-12
Expenditures				
Total Funds	$170.6m	$171.8m	$165.1m	$167.4m
Increase/Decrease		$1.2m	($6.7m)	$2.3m
Percent		0.70%	-3.90%	1.39%

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 January 2008 Social Services Estimating Conference. The cash assistance appropriation for

Fiscal Year 2008-09 is $170.6 million of which $125.1 million is general revenue and $45.5 million is TANF funds. The Outlook adjusts TANF federal block grant funds for changes in expenditures and does not impact state general revenue as it is used for maintenance of effort.

- **Reauthorization** - After expiring in 2002 and being extended through several continuing resolutions, the TANF program was reauthorized in early 2006 as part of the Deficit Reduction Act of 2005 and extended through 2010. The TANF supplemental grant program was extended under the Medicare Improvements for Patients and Providers Act of 2008 through 2009. The Outlook assumes the continuation of these funds at the same funding level for Fiscal Years 2009-10, 2010-11 and 2011-12.

Tobacco Constitutional Amendment - A constitutional amendment passed on the November 2006 ballot requiring the Florida Legislature to annually fund a comprehensive, statewide tobacco education and prevention program, using tobacco settlement money to primarily target youth and other at-risk Floridians. The annual funding requirement is 15% of the 2005 Tobacco Settlement payments to Florida, adjusted annually for inflation. The 2007 Legislature enacted chapter 2007-65, Laws of Florida (SB 1126), that required the Department of Health to operate the tobacco program. The amount required for Fiscal Year 2007-08 was $57.9 million. This amount was increased to $59.5 million for Fiscal Year 2008-09 of which $5 million was non-recurring funds provided to improve the infrastructure of the county health departments.

Over the three-year forecast period, the Outlook provides for increases related to the statewide tobacco education and prevention program of $3.2 million in Fiscal Year 2009-10, $2.1 million in Fiscal Year 20010-11 and $0.3 million in Fiscal Year 2011-12.

Tobacco Education and Prevention Program Estimates

	FY 08-09	FY 09-10	FY 10-11	FY 11-12
Expenditures	$59.5m	$62.7m	$64.8m	$65.1m
Increase		$3.2m	$2.1m	$0.3m
Percent		5.38%	3.35%	1.00%

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

- **National Economic Estimating Conference** - The estimated tobacco education and prevention expenditures from the June 2008 Revenue Estimating Conference were increased by applying the Consumer Price Index from the July 2008 National Economic Estimating Conference.
- **Expenditures** - The estimate for Fiscal Year 2009-10 restores the $5 million of non-recurring funds for the county health departments.

Tobacco Settlement Trust Fund - The 2008 Legislature appropriated $813.8 million from the Tobacco Settlement Trust Fund to fund health and human services programs. Of this total, $449.4 million was recurring funds and $364.4 million was non-recurring funds. Of the non-recurring funds, $354.4 million was transferred from the Lawton Chiles Endowment Fund to fund the following: $53.6 million for maintenance and repairs of health and human services facilities; $152.7 million to restore the state share of the reduction that eliminated the optional Medicaid for the Aged and Disabled (MEDS/AD) program; and $148.1 million to restore the state share of the reduction that eliminated the optional Medically Needy program, except for pregnant women and children. Subsequent to the Fiscal Year 2008-09 appropriations, the Legislative Budget Commission approved an additional appropriation of $7.9 million of non-recurring funds for maintenance adoption subsidies.

Tobacco Settlement Trust Fund Estimates

	FY 08-09	FY 09-10	FY 10-11	FY 11-12
Expenditures	$822.1m	$457.6m	$459.7m	$460.0m
Increase/Decrease		($364.5m)	$2.1m	$0.3m
Percent		-44.34%	0.46%	0.07%

Major policy assumptions and projections related to expenditures from tobacco settlement trust funds for the forecast period are described below:

- **Revenue Estimating Conference** - The estimated revenues were projected based on historical trends and methodologies used by the February 2008 Revenue Estimating Conference, updated for legislative actions and subsequent budget amendments.
- **Expenditures** - The expenditure estimates include the required increases for the tobacco education and prevention program for Fiscal Years 2009-10, 2010-11 and 2011-12. No additional transfers from the Lawton Chiles Endowment Fund are included in the estimates for state Fiscal Years 2009-10, 2010-11 and 2011-12 other than the regular annual transfers specified in s. 215.5601, Florida Statutes.

Other High Priority Needs

Medicaid for Aged and Disabled, Medically Needy and Low Income Pool/Special Payments – Although not included as a critical need, other high priority needs projections include an increase in general revenue state matching funds of $142.0 million to restore the optional MEDS/AD program and $150.8 million to restore the optional Medically Needy program, except for pregnant women and children for Fiscal Year 2009-10. The Outlook also includes an increase of non-recurring general revenue state matching funds of $25 million to continue to supplement the Low Income Pool/Special Payments to hospitals based on the amount appropriated in Fiscal Year 2008-09.

Developmentally Disabled Services – Other high priority needs projections for the home and community-based waivers include funds to handle potential deficits resulting from the delay in implementation of the four-tiered waiver system and utilization increases based on historical trends. Increased state matching funds were provided for the Medicaid waiver programs to fund the reduction in the federal matching rate. The increase in general revenue funds is $24 million ($21 million non-recurring) for Fiscal Year 2009-10, $11.0 million of non-recurring funds for Fiscal Year 2010-11 and $1 million of non-recurring funds for Fiscal Year 2011-12.

Children and Family Services – Other high priority needs projections are based on three-year appropriation averages for various child welfare, substance abuse, mental health and adult protection services. The projections restore non-recurring funds for maintenance adoptions and independent living and provide workload increases for maintenance adoptions, independent living, sexually violent predator program and juvenile incompetent to proceed based on information supplied by the department. Increased state matching funds were provided for the Medicaid waiver program to fund the reduction in the federal matching rate. The increase in general revenue funds is $80.6 million ($16 million non-recurring) for Fiscal Year 2009-10, $45.8 million ($16 million non-recurring funds) for Fiscal Year 2010-11 and $45.8 million ($16 million non-recurring funds) for Fiscal Year 2011-12.

Health Services – Other high priority needs projections are based on three-year appropriation averages for various health services in the Department of Health and the Department of Elder Affairs. Increased state matching funds were provided for the Medicaid waiver programs to fund the reduction in the federal matching rate. The Outlook includes operational costs for the Veterans' nursing home in St. Johns County based on start-up costs supplied by the Department of Veterans' Affairs. The increase in general revenue funds is $22.3 million ($15.5 million non-recurring) for Fiscal Year 2009-10, $19.4 million ($13 million non-recurring) for Fiscal Year 2010-11 and $18.8 million ($13 million non-recurring) for Fiscal Year 2011-12.

Maintenance, Repairs, and Capital Improvements – Other high priority needs projections are based on three-year appropriation averages of maintenance and repair costs for state-owned facilities which include, mental health facilities, developmentally disabled facilities, senior centers, county health departments, rural hospitals and veteran's nursing and domiciliary homes. The increase in general revenue funds is $30.5 million in non-recurring funds for each of the three Fiscal Years 2009-10, 2010-11 and 2011-12.

Information Technology/Infrastructure – Other high priority needs projections are based on three-year appropriation averages and include costs for information technology and infrastructure and re-engineering costs for certain information systems. The Outlook provides $5.8 million from non-recurring trust fund cash for each of the three Fiscal Years 2009-10, 2010-11 and 2011-12.

OTHER CONSIDERATIONS

The Long-Range Financial Outlook is based on events that are known or likely to occur. However, there are some risks that would significantly alter key assumptions were they to come to pass. One of those risks and its potential ramifications is as follows:

- The Outlook assumes that the federal government will reauthorize the SCHIP program beyond March 2009 at its current funding levels. If the federal government does not reauthorize the program or reduces the level of funding, significant state funds may have to be used to continue the program. Absent an increase in the federal allotment, sufficient federal funds **are not** available to fund estimated expenditures in Fiscal Year 2010-11.
- The Outlook assumes that the federal government will reauthorize the TANF program beyond Fiscal Year 2010 and continue to provide supplemental grant funds. It also assumes that Florida will continue to meet the work participation requirements and only be required to provide MOE at the 75% amount. If work participation rates are not met, Florida would have to increase MOE by 5% or $24.5 million, would have to make up the loss with state funds that does not count towards MOE, and could potentially lose up to 5% of TANF federal funds.

General Appropriations Act Section 4 - Criminal Justice/Corrections

Tier 2 Issues - Critical and Other High Priority Needs
Expenditure projections ($ millions)

Recurring	2008-09	2009-10	2010-11	2011-12
General Revenue	3,536.4	3,704.1	3,875.4	4,051.6
change		167.7	171.4	176.2
% change		4.7%	4.6%	4.5%

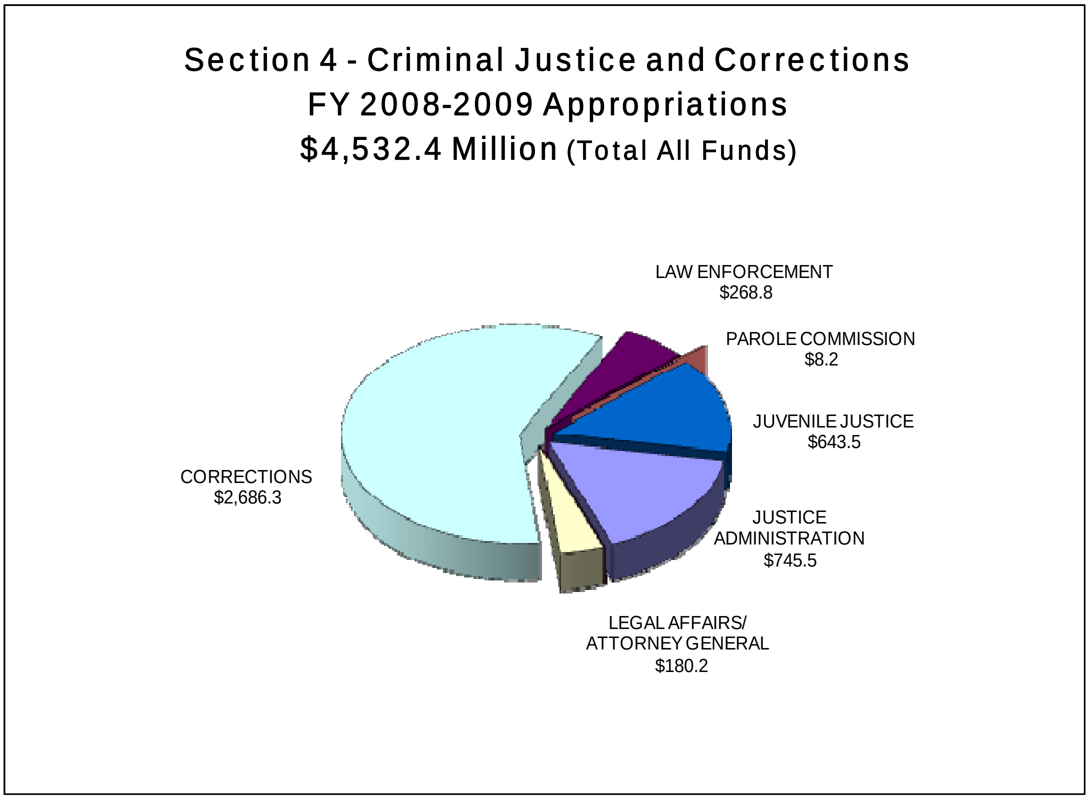
Nonrecurring	2008-09	2009-10	2010-11	2011-12
General Revenue	335.4	407.1	397.5	378.2

TOTAL	2008-09	2009-10	2010-11	2011-12
General Revenue	3,871.9	4,111.2	4,273.0	4,429.8
budget impact		574.8	568.9	554.4

SECTION 4 – CRIMINAL JUSTICE AND CORRECTIONS

SUMMARY

Section 4 of the General Appropriations Act (GAA) includes funding for the Department of Corrections, the Department of Legal Affairs, the Department of Law Enforcement, the Department of Juvenile Justice, the Parole Commission, and Justice Administration. For Fiscal Year 2008-09, the Legislature appropriated a total of $4,532.4 million in general revenue and trust funds to these agencies. The following chart displays the appropriations by agency.



Source: Actual Appropriations for Fiscal Year 2008-2009 Adjusted for Supplementals and Vetoes

For critical and other high priority needs, the Long-Range Financial Outlook projects a total increase in recurring general revenue for Section 4 agencies of $167.7 million in Fiscal Year 2009-10; $171.4 million in Fiscal Year 2010-11; and $176.2 million in Fiscal Year 2011-12. The outlook also includes non-recurring general revenue spending of $407.1 million in Fiscal Year 2009-10; $397.5 million in Fiscal Year 2010-11; and $378.2 million in Fiscal Year 2011-12.

Total general revenue spending for critical need and other high priority issues is $4,111.2 billion in Fiscal Year 2009-10; $4,273.0 billion in Fiscal Year 2010-11; and $4,429.8 billion in Fiscal Year 2011-12.

ASSUMPTIONS AND DISCUSSION OF MAJOR BUDGET DRIVERS

General - The financial outlook includes additional funding based on the following assumptions:

1) Increases in the Department of Corrections are based on the projected increase in the prison population as estimated by the Criminal Justice Estimating Conference. These increases include both recurring general revenue for operational costs and non-recurring general revenue for building new prison beds.

2) Funding increases for maintenance and repair of Department of Corrections and Department of Juvenile Justice facilities are based on the average increase in appropriations over the past five years.

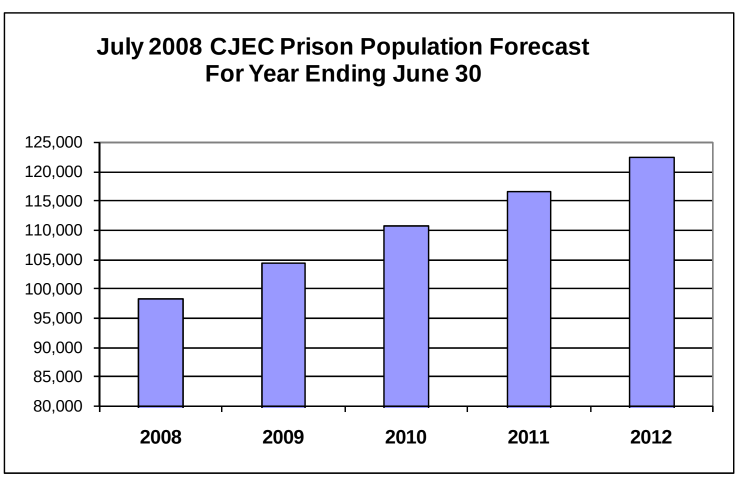
3) Funding increases for state attorneys and public defenders to account for increased caseloads are based on the average appropriations over the past five years and are increased each year based on the average criminal caseload growth in the court system over the past five years.

4) Increases for prevention and intervention programs, as well as increases in private provider rates in the Department of Juvenile Justice, are based on the average increase in appropriations over the past five years.

5) Increases to the cost of assisting fiscally constrained counties paying juvenile detention costs are based on the consumer price index.

Critical Needs

Corrections – The Criminal Justice Estimating Conference estimates an increase of approximately 17,049 inmates in Florida's prison population over the next three fiscal years. Major cost drivers for the Department of Corrections (DOC) include operational costs for care of the projected additional inmate population and construction for the needed increased capacity.



Source: Criminal Justice Estimating Conference

Increase in Criminal Justice Estimating Conference Population - Operational cost drivers include security and institutional operations, health services, and educational and substance abuse programming for incarcerated inmates. Eighty-four percent of the department's Fiscal Year 2008-2009 total operating budget provided for the operational costs associated with secure housing and care of inmates. To calculate projected costs, a baseline average daily per-diem rate was calculated using Fiscal Year 2008-09 appropriations for Security/Institutional Operations, Health Services, and Education and Programs, divided by the average of the year's projected end of month populations. The average daily per-diem rate was then applied to the projected increase in inmates anticipated over the next three fiscal years.

The three-year projections include price level adjustments based on the national consumer price index (CPI). To account for rising costs in providing necessary services to inmates, two separate CPI calculations were used in developing projections: 1) a CPI adjustment based on increases in consumer goods and services was applied to Security and Institutional Operations and Education and Programs; 2) a CPI adjustment based on increases in health care services, generally higher than normal goods and services, was applied to the Health Services Program. The Health Services Program is particularly vulnerable to escalating costs due to increased utilization of community hospital and ambulatory care in emergency situations, as well as increased drug costs.

Fixed Capital Outlay (FCO) – Increased Capacity – Three-year FCO funding projections for the Department of Corrections include funding for construction of new facilities to meet the increased capacity of approximately 17,049 inmates, as estimated by the Criminal Justice Estimating Conference (CJEC). These projections also include funding for debt service payments, as well as planning, development and permitting for future facilities.

A Fixed Capital Outlay funding projection of $346.5 million is included for Fiscal Year 2009-10. This cost is based on average FCO cash appropriations and cost of bonded facilities, including interest to be paid over the life of the bond, for the past five years. The total costs are divided by the total beds funded. The average cost per bed over the past five years, approximately $53,539, was applied to the CJEC estimated projection of 5,223 additional beds in Fiscal Year 2009-10. The projection includes an additional $66.9 million to complete the Lowell Reception Center, which was partially funded in Fiscal Year 2008-09.

A Fixed Capital Outlay funding projection of $336.8 million is included for Fiscal Year 2010-11. This cost is based on average FCO cash appropriations and cost of bonded facilities, including interest to be paid over the life of the bond, for the past five years. The total costs are divided by the total beds funded. The average cost per bed over the past five years, approximately $53,539, was adjusted to include a price level increase of 1.96 percent based on a price index for state and local construction spending. The adjusted cost of $54,588 per bed was included for Fiscal Year 2010-11 and applied to the CJEC estimated projection of 6,170 additional beds in Fiscal Year 2010-11.

A Fixed Capital Outlay funding projection of $317.4 million is included for Fiscal Year 2011-12. This cost is based on average FCO cash appropriations and cost of bonded facilities, including interest to be paid over the life of the bond, for the past five years. The total costs are divided by the total beds funded. The Fiscal Year 2010-11 cost of $54,588 was adjusted to include a price level increase of 2.79 percent based on a price index for state and local construction spending. The adjusted cost of $56,111 per bed was included for Fiscal Year 2011-12 and applied to the CJEC estimated projection of 5,656 additional beds in Fiscal Year 2011-12.

Due Process Costs - Due process costs are defined here as private attorney fees, court reporting costs, the cost of expert witnesses and the travel cost of regular witnesses for indigent persons involved in the state court system. Under revision 7 to Article V of the Florida Constitution, the cost of these services became the responsibility of the state beginning Fiscal Year 2004-05. The most costly service involves the payment of attorney fees for private court-appointed counsel for criminal defendants when the public defender cannot represent them due to an ethical conflict, and for indigent parents involved in state-instituted dependency proceedings. Since Fiscal Year 2004-05, the state continued the existing system of using private attorneys appointed locally from a registry. Starting October 1, 2007, five new regional conflict counsel offices made up of attorneys provide legal representation in the majority of these cases.

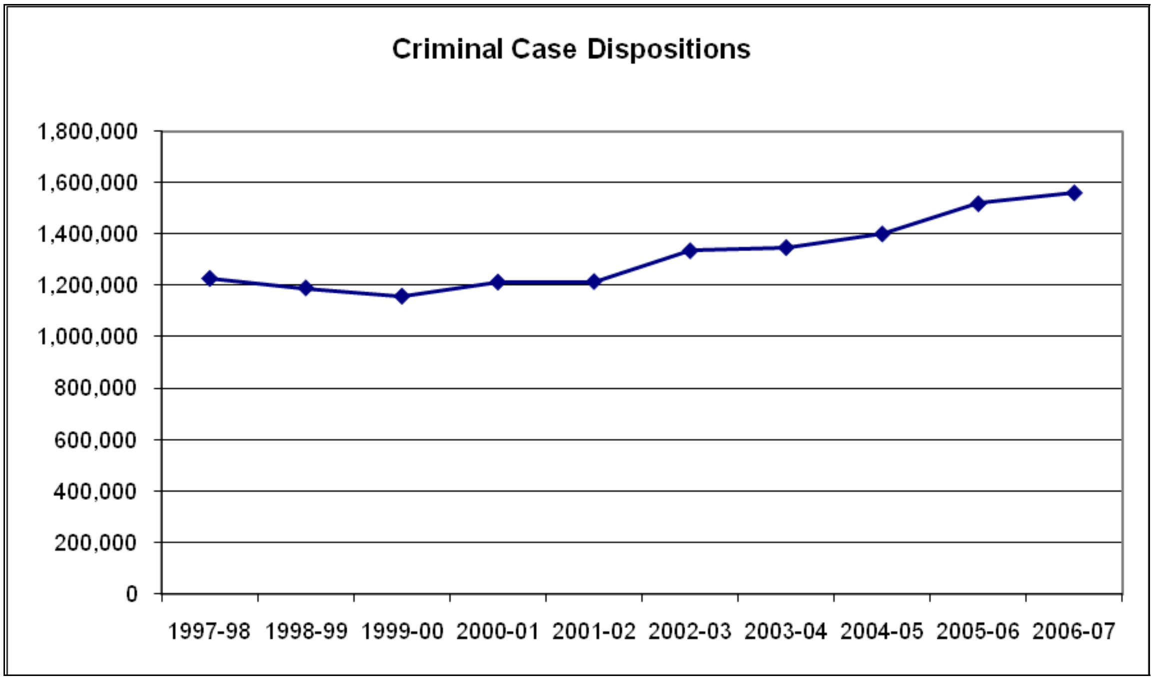
The due process costs in the Outlook are made up of the financial liability of paying for old cases that were started before July 1, 2007, where the private attorneys have not yet billed the state. These costs have been difficult to predict and actual expenditures could vary considerably from these estimates.

Other High Priority Needs

DOC Workload and Services - When resources have been available, the Legislature has provided additional funding for the Department of Corrections (DOC) to increase educational, transitional, and substance abuse programming, as well as address price level increases for food services and other needs. Future funding projections for DOC workload and services have been based on a five-year appropriations average.

Other FCO – Maintenance and Repair - The Department of Corrections (DOC) is responsible for the upkeep and care of over 137 facilities statewide, which include correctional institutions, work camps, work release centers and road prisons. Approximately 30 percent of DOC’s facilities are at least 30 years old. The Legislature recognizes the importance of keeping its facilities safe and functional by funding repair and maintenance needs. Future funding projections for repair and maintenance for these facilities have been based on a five-year appropriations average.

Justice Administrative Commission – The Outlook has two budget drivers in the area of justice administration: due process costs and state attorney and public defender workload. Both are influenced by criminal justice trends such as the increasing crime rate. Over the past ten years, the total of criminal case dispositions (cases closed) has increased an average of 2.72 percent each year. The growth of criminal cases causes increases in due process costs and a need for new staff for the state attorney and public defender offices.



Source: Office of State Court Administrator, SRS data.

State attorney, public defender, and regional conflict counsel workload - With increased caseloads, additional staff are needed in the state attorney offices, public defender offices, and the new regional conflict counsel offices. Over the last five years, the Legislature has provided an average of $7.5 million per year increase for the larger state attorney and public defender workload. An additional $500,000 was added for the new regional conflict counsel offices. To account for increased caseload growth, the resulting $8 million per year was increased by the average annual growth of 3.38 percent in dispositions of criminal cases over the last five years.

Juvenile Justice – 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 kids from residential programs. The Legislature has increased front-end services to reduce the need for more costly deep-end services over the past few years. Future funding projections for these programs have been based on a five-year appropriation average.

Currently, DJJ contracts with approximately 165 different private providers who deliver over $300 million in program services statewide. In order to ensure that these private providers are delivering efficient and effective programs and services, the Legislature in the past has funded price-level increases for these providers. Future funding projections for a private provider per-diem increase have been based on a five-year appropriation average.

DJJ is responsible for the upkeep and care of a large number of facilities statewide. A majority of these facilities operate residential programs that house kids twenty-four hours a day and seven-days a week. With this demand, the Legislature recognizes the importance of keeping these facilities safe and functional for the kids who receive services by funding the repair and maintenance needs for DJJ's facilities. Future funding projections for repair and maintenance for these facilities have been based on a five-year appropriation average.

The 2004 Legislature passed Senate Bill 2564 (Chapter 2004-263, Laws of Florida) that required joint financial participation of the state and counties in the provision of juvenile detention. Costs allocated to counties are associated with the time juveniles from those counties spend in detention before being adjudicated. Costs allocated to the state are associated with the time spent in detention by juveniles who have no known residence, whose residence is out of state, or who have been adjudicated. The bill also recognized that this will be a burden on counties with a "fiscally constrained county" designation, defined as a rural area of critical economic concern under s.288.0656, F.S. Therefore, under these economic conditions, and subject to appropriation, the state provides grant funds to the 30 counties currently identified with this designation. Due to the limited number of fiscal years for which data is available, future funding projections for juvenile detention costs for fiscally constrained counties are increased by the consumer price index (CPI) for the next three years based on the appropriation for Fiscal Year 2008-09.

OTHER CONSIDERATIONS

The Long-Range Financial Outlook is based on events that are known or likely to occur. However, there are some risks that would significantly alter key assumptions were they to come to pass. One of those risks and its potential ramifications is as follows:

- Cost estimates for operational and fixed capital outlay funding for the Department of Corrections are based on Criminal Justice Estimating Conference forecasts for Florida's prison population. Because the costs estimates in this financial plan are based on projected prison admissions, the funding required could increase or decrease depending upon projections from future conferences.

General Appropriations Act Section 5 - Natural Resources /Environment/Growth Management/Transportation

Tier 2 Issues - Critical and Other High Priority Needs

Expenditure projections ($ millions)

Recurring	2008-09	2009-10	2010-11	2011-12
General Revenue	191.5	191.5	191.5	191.5
change		0.0	0.0	0.0
% change		0.0%	0.0%	0.0%

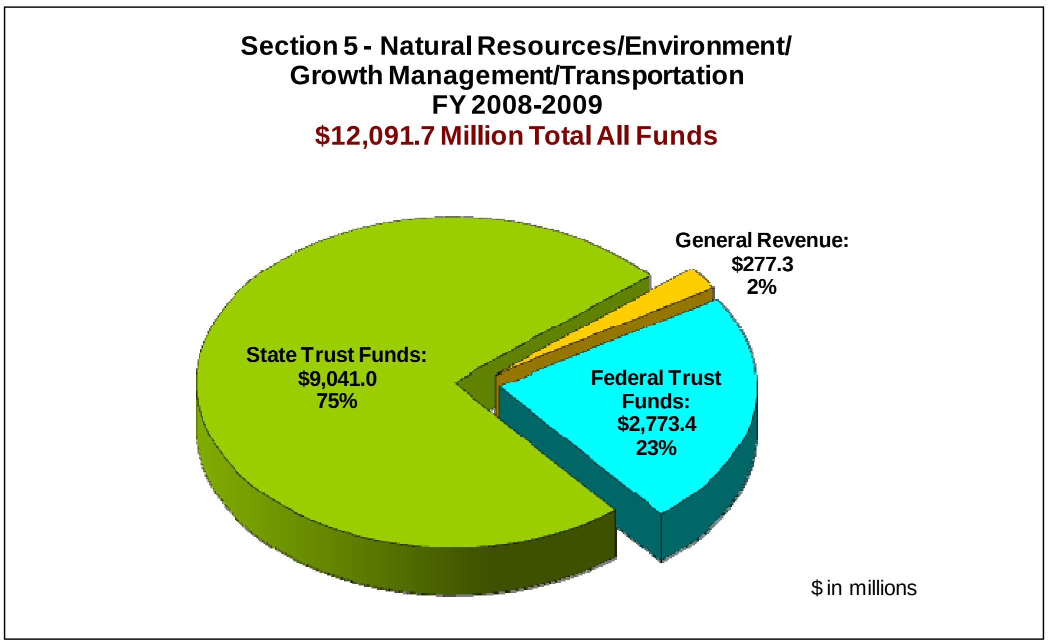
Nonrecurring	2008-09	2009-10	2010-11	2011-12
General Revenue	89.1	168.2	159.0	148.3

TOTAL	2008-09	2009-10	2010-11	2011-12
General Revenue	280.6	359.7	350.5	339.8
budget impact		168.2	159.0	148.3

SECTION 5 – NATURAL RESOURCES, ENVIRONMENT, GROWTH MANAGEMENT, AND TRANSPORTATION

SUMMARY

The Natural Resources, Environment, Growth Management and Transportation section of the General Appropriation Act includes the following agencies: Department of Agriculture and Consumer Services, Department of Community Affairs, Department of Environmental Protection, Fish and Wildlife Conservation Commission, and Department of Transportation. These agencies are funded with a combination of state general revenue, federal funds, and state trust funds. Of the $12.1 billion total budget for the 2008-09 fiscal year, only two percent or $277.3 million is funded from state general revenue. The majority of funds are derived from state trust fund sources. Seventy-five percent or $9.0 billion is from state trust fund sources and $2.8 billion or 23 percent is from federal funds.



Source: Actual appropriations for Fiscal Year 2008-2009 adjusted for supplementals, vetoes and statewide distributions.

The long range financial outlook projects no increases in recurring general revenue spending in critical need and other high priority funding for Natural Resources, Environment, Growth Management and Transportation. For the 2009-10, 2010-11, and 2011-12 fiscal years, recurring general revenue is continued at the current year level which is $191.5 million. The outlook also includes non-recurring general revenue spending of $168.2 million in Fiscal Year 2009-10, $159.0 million in Fiscal Year 2010-11, and $148.3 million in Fiscal Year 2011-12. Total general revenue spending for critical need and other high priority issues is $359.7 million (+28.2%) in Fiscal Year 2009-10, $350.5 million (-2.5%) in Fiscal Year 2010-11, and $339.8 million (-3.1%) in Fiscal Year 2011-12.

ASSUMPTIONS AND DISCUSSION OF MAJOR BUDGET DRIVERS

General – The financial outlook includes funding based on the following assumptions:

1) Historical funding averages, or current year funding levels, were used to project future non-recurring appropriations for Fiscal Years 2009-10 through 2011-12.

2) Trust fund resources were maximized in lieu of providing additional general revenue to support ongoing programs.

3) Federal funds were maximized with state general revenue or trust fund resources as match for the Drinking and Wastewater Revolving Loan programs.

4) Programs supported from the documentary stamp tax revenues are based on the August 2008 consensus Revenue Estimating Conference projections. Over the past few years, the various methodologies for appropriating program budgets supported by documentary stamp tax revenues have included the use of historical funding averages, current-year level of funding, and the statutory distribution. The trust fund balances from documentary stamp tax revenues that remained after funding the programs have been either transferred to the General Revenue Fund or kept in the respective trust funds for future appropriations. The financial outlook is based on the current statutory distribution to all programs supported by documentary stamp tax revenue, which include: the Conservation and Recreation Lands (CARL), Ecosystems Management and Restoration, Water Quality Assurance, Land Acquisition, Water Management Lands, and Water Sustainability and Protection trust funds in the Department of Environmental Protection; the Marine Resources Conservation, Invasive Plant Control, and State Game trust funds in the Fish and Wildlife Conservation Commission; the General Inspection Trust Fund in the Department of Agriculture and Consumer Services; the Grants and Donations, Local Housing, and State Housing trust funds in the Department of Community Affairs; and the State Transportation Trust Fund in the Department of Transportation. These revenues provide funding for land management and acquisition; beach restoration; manatee protection; oyster relaying; environmental protection efforts, including non-point source pollution prevention and total maximum daily loads, and disadvantaged wastewater treatment grants; and a variety of affordable housing initiatives, as well as transportation projects and technical assistance relating to local comprehensive planning. The revenue source also provides funding for the state's park operations and maintenance, exotic and aquatic plant control, and lake restoration efforts.

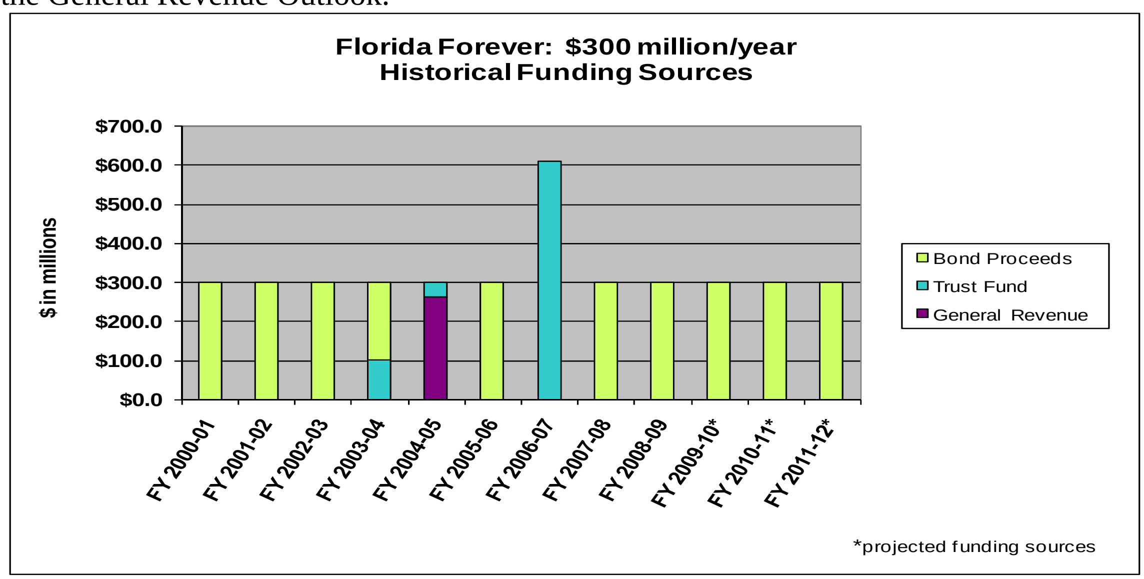
5) The Natural Resources, Environment, Growth Management, and Transportation section of the budget typically receives significant amounts of non-recurring general revenue to support ongoing programs after available trust fund resources have been maximized. These programs include wastewater, drinking water, and surface water projects, and capital improvements, maintenance, and repairs. The

financial plan continues this source of funds for these programs based on historical funding averages, or current year funding levels. Also included are FEMA disaster match requirements for all open declared disasters.

6) Funding levels for the Department of Transportation's (DOT) Five-Year Adopted Work Program, as of July 1, 2008, were used for Fiscal Years 2008-09 through 2012-13. Any changes after July 1, 2008 for the current fiscal year would be reflected in a budget amendment or work program amendment. Changes to the outer years of the Work Program would be reflected in the Tentative Work Program for FY 2009-2010 through FY 2013-2014 which will be submitted in February 2009 for legislative consideration.

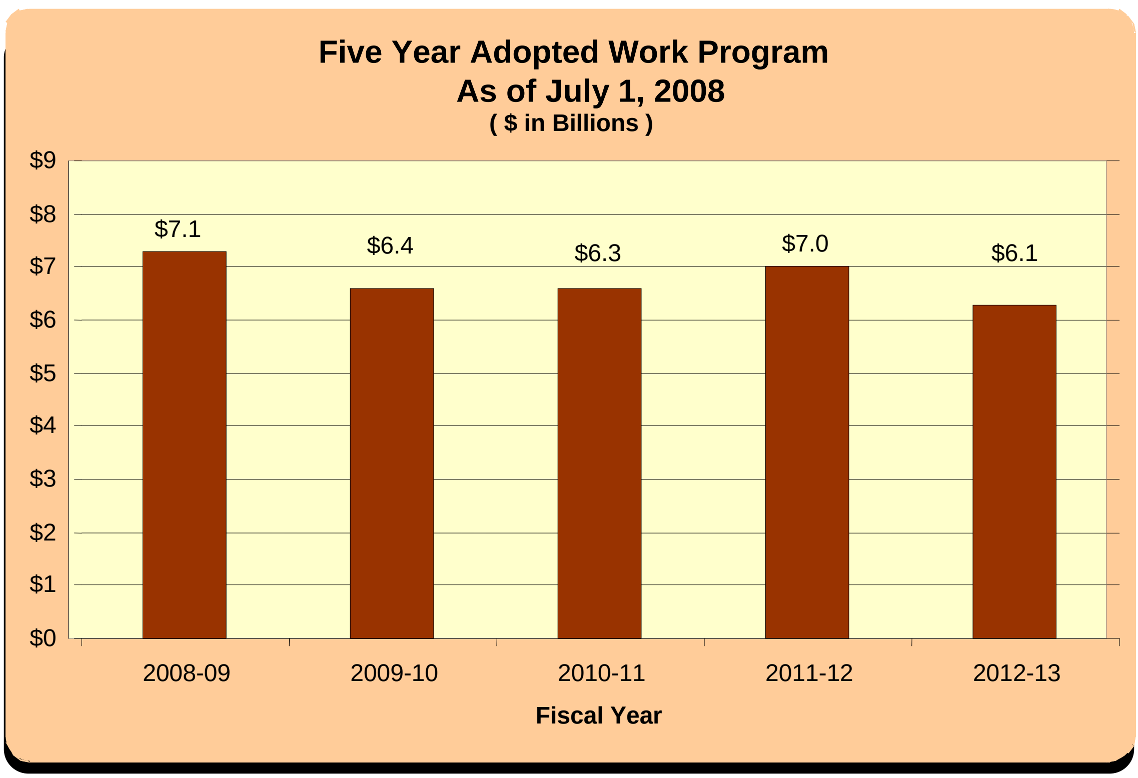
Critical Needs

Land Acquisition and Restoration - The financial outlook assumes annual bond authorizations of $300 million each for Fiscal Year 2009-10 through Fiscal Year 2011-12 for the Florida Forever land acquisition program and $100 million each year for the Comprehensive Everglades Restoration Plan. Historically, bonds have been authorized for the state's land acquisition programs; however, in Fiscal Years 2003-04, 2004-05 and 2006-07, the General Appropriations Act provided non-recurring general revenue and trust fund balances to fund the program in lieu of authorizing the full $300 million annual debt (see chart below). Bond proceeds, non-recurring general revenue, and trust fund sources have also been provided to support the Everglades appropriation. The financial outlook includes bond proceeds as the revenue source for these programs in Fiscal Year 2009-10 through Fiscal Year 2011-12. The debt obligations for Florida Forever and the Everglades bonds are funded from documentary stamp tax revenues allocated to the General Revenue Fund. The recurring general revenue increases for the additional bond authorizations is $22.2 million for the 2009-10 fiscal year, $34.3 million in the 2010-11 fiscal year, and $34.3 million in the 2011-12 fiscal year; these amounts are addressed in the General Revenue Outlook.



The outlook also includes a reduction in debt obligations for the Conservation and Recreation Lands (CARL) and Save Our Coast bonds. These bonds were authorized prior to the Preservation 2000 and the Florida Forever programs. These debt payments decline throughout the financial outlook period with the final debt payment due June 30, 2012. The source of revenue to support the debt payments is the documentary stamp tax revenue allocated to the CARL and Land Acquisition Trust Funds within the Department of Environmental Protection.

Department of Transportation Work Program – The DOT develops a Work Program, which is the department's list of transportation projects planned for the following five years. It is supported by a balanced five-year financial plan with a three-year cash forecast of receipts and expenditures. Funding to support the Work Program comes from a variety of non-general revenue sources, including federal, state, local, bond proceeds, toll collections, and miscellaneous other receipts. Funding projections for each year of the Adopted Five Year Work Program are based on the estimates from the March 2008 Transportation Revenue Estimating Conference (see following chart). Changes in project commitments and revenue estimates after July 1, 2008 will be programmed into the Work Program in February 2009 for legislative consideration.



Disaster Assistance – 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. The financial outlook contains an estimate for the general revenue required for the state match portion for federally declared disasters that is comprised of the outstanding state obligation for all open federally declared disasters that occurred prior to July 1, 2008.

Other High Priority Needs

Maintenance, Repairs, and Capital Improvements – The financial outlook assumes funding for repairs and construction for agricultural infrastructure located throughout the state. These building improvements include forestry wildfire prevention facilities, state farmers markets, agriculture promotion and education facilities, and agriculture interdiction station ramp renovations. Based on historical funding, the financial outlook includes funding of $8.2 million in non-recurring general revenue in each fiscal year for the duration of the financial plan.

Environmental Programs Funded with Documentary Stamp Tax – The financial outlook assumes continued funding for programs with documentary stamp tax revenues within the Departments of Environmental Protection, Agriculture and Consumer Services, and the Fish and Wildlife Conservation Commission. The financial outlook provides spending for best management practices, non-point source pollution prevention, alternative water projects, total maximum daily loads, small county wastewater treatment grants, land management, lake restoration and beach restoration. The funding level is based on the statutory distribution levels projected by the August 2008 consensus Revenue Estimating Conference.

Agriculture and Environmental Programs – The financial 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:

--<u>Water Projects and Other Water Initiatives</u> - the outlook includes funding for traditional water projects and other major water quality initiatives, such as wastewater improvement for the Florida Keys and projects in the Southern Water Use Caution Area. The revenue to support the funding is provided by the statutory sales tax revenue distribution based on the August 2008 consensus Revenue Estimating Conference. Non-recurring general revenue is also included, based on historical funding averages. The outlook assumes $42.8 million sales tax revenue and $114.1 non-recurring general revenue for the 2009-10 fiscal year; $46.3 million sales tax revenue and $110.6 million non-recurring general revenue for the 2010-11 fiscal year; and $49.9 million sales tax revenue and $107 million non-recurring general revenue for the 2011-12 fiscal year.

--<u>Drinking Water and Wastewater Revolving Loan Programs</u> – the outlook provides a state match to all estimated federal dollars available in order to maximize low interest loans to the state's local governments for needed infrastructure. For the duration of the plan, $13.8 million in non-recurring general revenue is provided for each fiscal year. These state dollars will match $69 million in federal funds.

--Other Agricultural Programs – Agriculture continues to be an important industry in Florida. The outlook provides funding for aquaculture research grants, wildfire suppression equipment, replacement of motor vehicles, and for the distribution of food to needy families. Based on historical funding averages, $4.1 million in non-recurring general revenue is included for each fiscal year in the outlook.

OTHER CONSIDERATIONS

The Long-Range Financial Outlook is based on events that are known or likely to occur. However, there are some risks that would significantly alter key assumptions were they to come to pass. Some of those risks and their potential ramifications are as follows:

- Current environmental claims against the state include an issue estimated at $10 million for a beach nourishment property rights case for which a decision has yet to be issued by the Florida Supreme Court.

- Class action lawsuits for damages due to the state's removal of trees exposed to citrus canker have been filed in five counties. One case in Broward County has resulted in a judgment[2] of $4.3 million against the Department of Agriculture and Consumer Services. With litigation continuing, costs to the state are indeterminate at this time.

- Clean Water – The Department of Environmental Protection, under agreement with the U.S. Environmental Protection Agency, conducts needs assessments[3] to determine the cost of fully complying with the federal Clean Water Act. Based on the most recent information available, they have identified a need over the next twenty years as follows:

  - Wastewater -$10,716,973,000
  - Municipal stormwater - $2,182,750,000
  - Nonpoint source - $9,285,007,000
  - Estuary management - $63,073,000

  TOTAL - $22,247,803,000

- Drinking Water – Needs assessments are also conducted to determine the cost to comply with the federal Safe Drinking Water Act. In the most recent report released, which relied on 2003 data[4], the U.S. Environmental Protection Agency estimated that Florida's total 20-year need for public water systems exceeded $15 billion. State investments are typically made from the Drinking Water State Revolving Fund loan program.

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[2] According to the Department of Agriculture and Consumer Services, an appeal is expected in the Broward County case and a trial is scheduled in Palm Beach County for May 2009.
[3] The most recently published needs assessment was released in June 2005.
[4] EPA Report to Congress, "Drinking Water Infrastructure Needs Survey and Assessment," June 2005.

- Water Infrastructure - The legislature annually provides funding for the construction or renovation of drinking water treatment and distribution systems, stormwater management systems, and wastewater treatment and management systems, including water reuse facilities, based on priority listings maintained by the Department of Environmental Protection (DEP). The current funding priority lists include more than $1.2 billion in projects that are expected to be funded over the next 5 to 7 years, primarily through low-interest loans as part of DEP's State Revolving Fund loan programs. In addition, about $20 million in wastewater grants for small, financially disadvantaged municipalities is provided annually.

- Transportation – In May of 2008, the Florida Department of Transportation issued a revenue forecast[5] of funded needs for 2007-2035. This report, expressed in year of expenditure dollars (as compared to unfunded needs which are expressed in 2006 Dollars), provides total funded needs of $254 billion: consisting of $137 billion relating to safety, preservation and support; and $117 billion relating to capacity.

State Transportation Needs
2007-2035
(Year of Expenditure Dollars)

	Billions
Funded Needs	
Safety, Preservation, Support	137
Capacity	117
Total	**$254**

According to the department, estimates of unfunded needs continue to be reflected in the 2006 - 2030 revenue forecast[6] which provides approximately $58 billion in unfunded transportation needs statewide with about $45 billion relating to the Strategic Intermodal System (SIS) Multi-Modal, $8 billion relating to other modes and $5 billion relating to transit to support the SIS.

2006-2030
(2006 Dollars)

	Billions
Unfunded Needs	
SIS Highways	45
Other Modes	8
Transit to Support SIS	5
Total	**$58**

[5] This forecast reflects changes in state revenue forecasts through March 2008; however, it does not reflect the changes enacted in the 2008 Legislative Session.
[6] This forecast is based on the results of the March 2006 Revenue Estimating Conference and, therefore, does not reflect subsequent reductions in estimates.

- Growth Management - Local governments must adopt comprehensive plans that include level of service standards for transportation, water, sewer, drainage, parks and open space, solid waste, and commencing in 2008, public schools. Under Chapter 163, Florida Statutes, the adopted level of service standards are to be achieved and maintained through a financially feasible five-year capital improvement schedule that is updated annually. If a level of service standard is not met, the local government is unable to approve development that relies on that public facility absent direct developer contribution. Starting in December 2008, if a local government fails to adopt an update to its capital improvement schedule, it will be subject to plan amendment restrictions and may be subject to additional sanctions by the Administration Commission. Given the complexities of growth and development and the variations within more than 470 local government comprehensive plans, there is no estimate of the total costs associated with the aggregate unmet needs for public facilities based on the adopted level of service standards.

General Appropriations Act Section 6 - General Government

Tier 2 Issues - Critical and Other High Priority Needs
Expenditure projections ($ millions)

Recurring	2008-09	2009-10	2010-11	2011-12
General Revenue	817.5	818.8	820.3	822.1
change		1.3	1.6	1.7
% change		0.2%	0.2%	0.2%

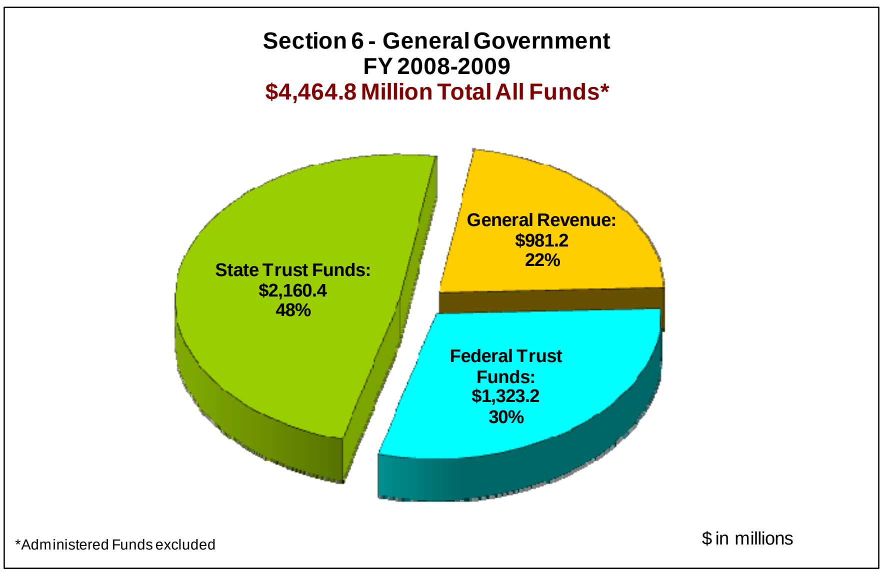
Nonrecurring	2008-09	2009-10	2010-11	2011-12
General Revenue	166.8	316.4	301.0	294.7

TOTAL	2008-09	2009-10	2010-11	2011-12
General Revenue	984.3	1,135.1	1,121.3	1,116.7
budget impact		317.7	302.5	296.4

SECTION 6 – GENERAL GOVERNMENT

SUMMARY

The General Government section of the General Appropriations Act includes the following budgets: Agency for Workforce Innovation, Department of Business and Professional Regulation, Department of Citrus, Department of Financial Services, Executive Office of the Governor, Department of Highway Safety and Motor Vehicles, Legislative Branch, Department of Lottery, Department of Management Services, Department of Military Affairs, Public Service Commission, Department of Revenue, and Department of State.[7] These agencies are funded with a combination of state general revenue, federal funds and state trust funds. Of the $4.5 billion total budget for the 2008-09 fiscal year, 22 percent or $1.0 billion is funded from state general revenue. The greater share of funds is derived from state trust fund sources. Forty-eight percent, or $2.2 billion, is from state trust fund revenues, and $1.3 billion, or 30 percent, is from federal trust funds.



Source: Actual appropriations for Fiscal Year 2008-09 adjusted for supplemental, vetoes, and statewide distributions.

The long range financial outlook projects critical need and other high priority need increases in recurring general revenue spending of 0.2 percent in each fiscal year for General Government. A total of $818.8 million in the 2009-10 fiscal year, $820.3 million in the 2010-11 fiscal year, and $822.1 million in the 2011-12 fiscal year is included. The outlook also includes non-recurring general revenue spending of $316.4 million in Fiscal Year 2009-10, $301.0 million in Fiscal Year 2010-11, and $294.7 million in Fiscal Year 2011-12. Total general revenue spending for critical need and other high priority issues is $1.135 billion (+15.3%) in Fiscal Year 2009-10, $1.121 billion (-1.2%) in Fiscal Year 2010-11, and $1.117 billion (-0.4%) in Fiscal Year 2011-12.

[7] Administered Funds excluded.

ASSUMPTIONS AND DISCUSSION OF MAJOR BUDGET DRIVERS

General – The financial outlook includes additional funding based on the following assumptions:

1) Trust fund resources were maximized in lieu of providing additional general revenue to support ongoing programs.

2) Historical funding averages, or current year funding levels, were used to project future non-recurring appropriations for Fiscal Years 2009-10 through 2011-12.

3) The continuation of the current year level for most economic development programs, with the exception of: Film and Entertainment and the Quick Action Closing Fund which are based on three-year averages; and Space, Defense and Rural Infrastructure which is funded at the Fiscal Year 2007-08 level.

4) Funding for armory repairs in the Department of Military Affairs is based on Fiscal Year 08-09 funding.

5) General revenue funding to replace non-recurring federal funding to the Regional Workforce Boards and Early Learning Coalitions is included for a continuation of the current year level for workforce services.

6) Federal Funds were maximized with state general revenue or trust fund resources.

Critical Needs

Debt Service & Utilities for Florida Facilities – The Florida Facilities Pool (pool) is administered by the Department of Management Services to provide both existing office space and construction of new office space for state personnel. Agencies are charged a uniform rental rate to cover the operational costs of the pool, such as utilities and maintenance, and to satisfy bond covenant requirements. Currently, the department is constructing four new office buildings to be located at the Capital Circle Office Complex in Tallahassee. Three of the buildings will be occupied by the Department of Revenue and one will be occupied by the First District Court of Appeals. Historically, general revenue funds have been provided to cover the cost of the bond payments during the construction phase. The financial outlook includes $7.6 million in non-recurring general revenue to fund debt service payments for all four buildings for the 2009-10 fiscal year. The need for funding decreases to $2.6 million in Fiscal Year 2010-11 as a result of three of the four buildings being fully occupied. No general revenue funds for debt service will be needed in the 2011-12 fiscal year as the rental rate assessed to occupants of the new buildings will cover the bond payments and building operations.

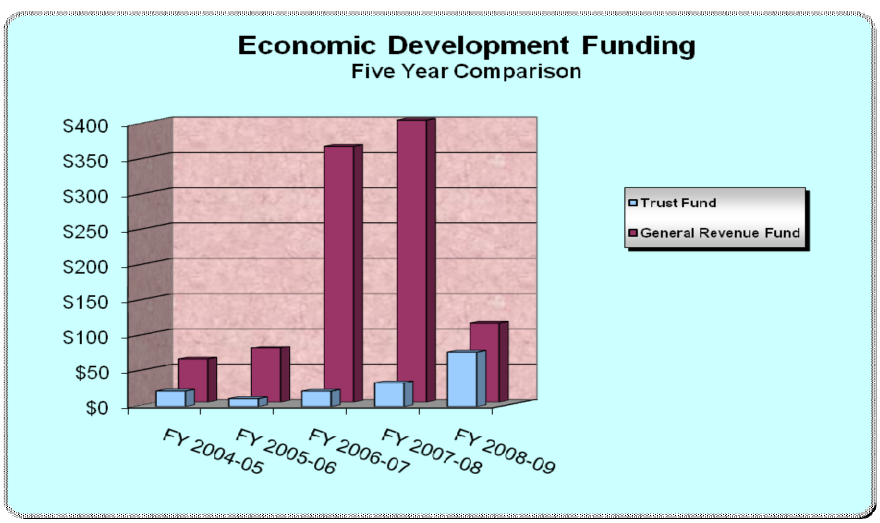
The financial outlook also provides increased funding for utility payments for the pool due to rising fuel costs and the additional buildings coming online. A three year average with a growth rate of 8.19% is used to determine what level of funding will be needed for future utility costs. The outlook provides $.6 million in Fiscal Year 2009-10, $3.3 million in Fiscal Year 2010-11, and $2.2 million in Fiscal Year 2011-12.

Pensions and Benefits - In addition to the Florida Retirement System, the Department of Management Services is also responsible for administering other special pension and benefits programs such as the Florida National Guard. Based on historical growth, the financial outlook provides an increase in recurring general revenue funds of $1.3 million in Fiscal Year 2009-10, $1.6 million in the 2010-11fiscal year, and $1.7 million in Fiscal Year 2011-12.

Fiscally Constrained Counties – Chapters 2007-339 and 2008-173, Laws of Florida, directs the legislature to provide funds to fiscally constrained counties to offset the reductions in ad valorem tax revenue as a result of the property tax cap initiative. The outlook provides $26.2 million in non-recurring general revenue based on the November 2007 impact conference.

Other High Priority Needs

Economic Development - Significantly greater non-recurring general revenue funds were provided for economic development in Fiscal Years 2006-07 and 2007-08 than in the years previous. The Innovation Incentive Fund, created in Fiscal Year 2006-07, was appropriated $250 million in Fiscal Year 2007-08, but was not funded in Fiscal Year 2008-09 due to the unavailability of non-recurring funds. The Quick Action Closing Fund was appropriated $45 million in Fiscal Year 2007-08 and $46.5 million in Fiscal Year 2008-09. Since the level of future non-recurring funds for these major programs cannot be predicted, the financial outlook relies on projections based on Fiscal Year 2008-09 appropriation levels for most economic development programs, with the exception of Space, Defense and Rural Infrastructure which reflects the Fiscal Year 2007-08 level of funding and Film and Entertainment and the Quick Action Closing Fund which are based on three-year averages.



National Guard Armories - Over the last several fiscal years, non-recurring general revenue funds have been appropriated to the Department of Military Affairs to support its Capital Improvement Plan, which provides a priority schedule of maintenance and repair for 55 National Guard Armories around the state. The outlook includes $ 3.1 million annually based on the Fiscal Year 2008-09 funding level.

Workforce Services – The Agency for Workforce Innovation administers the State's Workforce and Early Learning programs. State and federal funding is provided to the twenty-four Regional Workforce Boards and thirty-one Early Learning Coalitions for workforce initiatives and for school readiness, respectively. During the current fiscal year, Fiscal Year 2008-09, the Legislature provided a portion of the funding from non-recurring federal funding sources. If the programs are to continue at the current-year level, $20.2 million from General Revenue would be needed for school readiness and $11.7 million from General Revenue for the Regional Workforce Boards to replace the non-recurring federal funding.

Energy – For several years, the legislature has provided resources for energy grants in the areas of renewable, solar and bioenergy. Initiatives such as Farm to Fuel, the Florida Energy Systems Consortium, solar field installations, and the establishment of a research and demonstration cellulosic ethanol plant has also been provided. Based on historical funding averages, the outlook includes $62.4 million in non-recurring general revenue for each of the plan's three fiscal years.

Other General Government Priorities – in order to increase efficiencies in the Child Support Enforcement Program in the Department of Revenue, the outlook continues to provide funds for the Child Support Automated Management System (CAMS). The funding is based on the department's implementation schedule and maximizes all available trust fund resources. For the 2009-10 and 2010-11 fiscal years, $5.6 million in non-recurring general revenue is included in the outlook, and $1.9 million in the 2011-12 fiscal year.

OTHER CONSIDERATIONS

The Long-Range Financial Outlook is based on events that are known or likely to occur. However, there are some risks that would significantly alter key assumptions were they to come to pass. Two of those risks and their potential ramifications are as follows:

- The Department of Revenue estimates $122 million in potential litigation involving sales and use tax, insurance premium retaliatory tax, corporate income tax and doc stamp tax assessments. These figures are the aggregate of numerous disputes and represent the worst case scenario.

General Appropriations Act Section 7 - Judical

Tier 2 Issues - Critical and Other High Priority Needs

Expenditure projections ($ millions)

Recurring	2008-09	2009-10	2010-11	2011-12
General Revenue	404.0	409.0	414.0	420.0
change		5.0	5.0	6.0
% change		1.2%	1.2%	1.4%

Nonrecurring	2008-09	2009-10	2010-11	2011-12
General Revenue	0.2	7.9	7.9	7.9

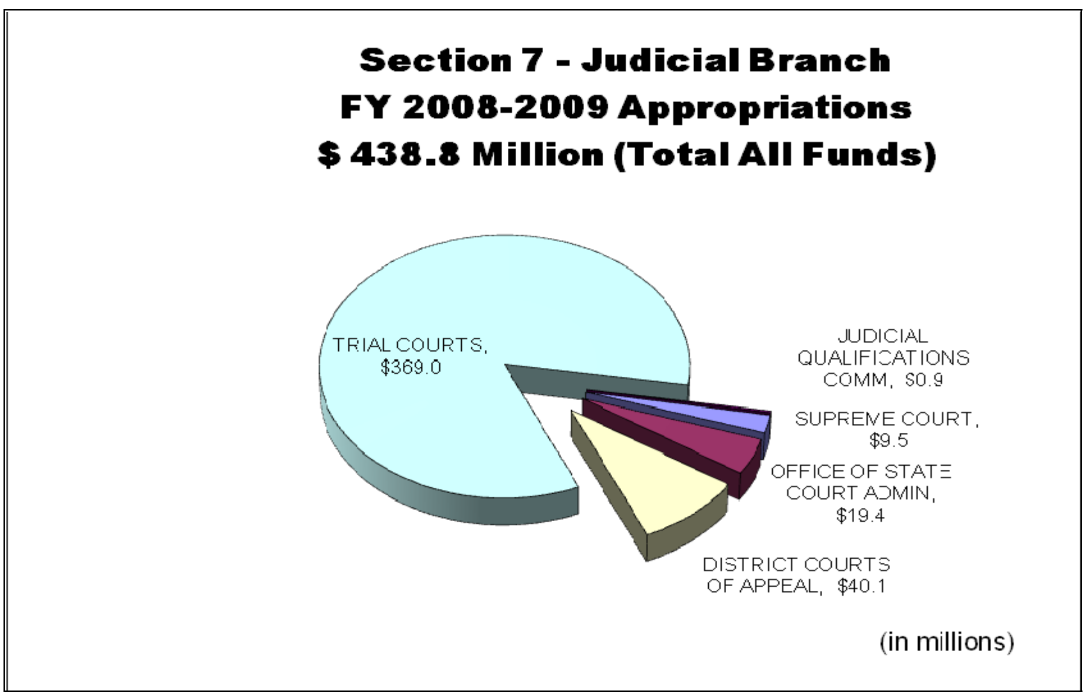
TOTAL	2008-09	2009-10	2010-11	2011-12
General Revenue	404.2	416.9	421.9	427.9
budget impact		12.9	12.9	13.9

SECTION 7 – JUDICIAL BRANCH

SUMMARY

Funding for the judicial branch in Section 7 of the General Appropriations Act includes funding and positions for the Supreme Court, the Office of State Courts Administrator, the District Courts of Appeal, and the trial courts which consist of circuit and county courts. Other court system entities such as the state attorney and public defender – even though they are officers of the court – are funded in Section 4 (Criminal Justice and Corrections) of the General Appropriations Act. The judicial branch's core mission is to resolve civil disputes and criminal charges. Most of the cost of the judicial budget is attributable to judges, associated staff, and expenses. The state is responsible for funding nearly the entire judicial branch. Under Revision 7 to Article V of the Florida Constitution, the state became responsible for additional court-associated costs. Prior to 2004, these costs were the responsibility of the county governments. New costs included the cost of due process services, such as private attorney fees, court reporting, and expert witnesses. The county retains the responsibility of providing facilities, security, communications and information technology to the court system. The total amount appropriated in state general revenue and trust funds for the judicial branch was $438.8 million for Fiscal Year 2008-09 (see figure below).

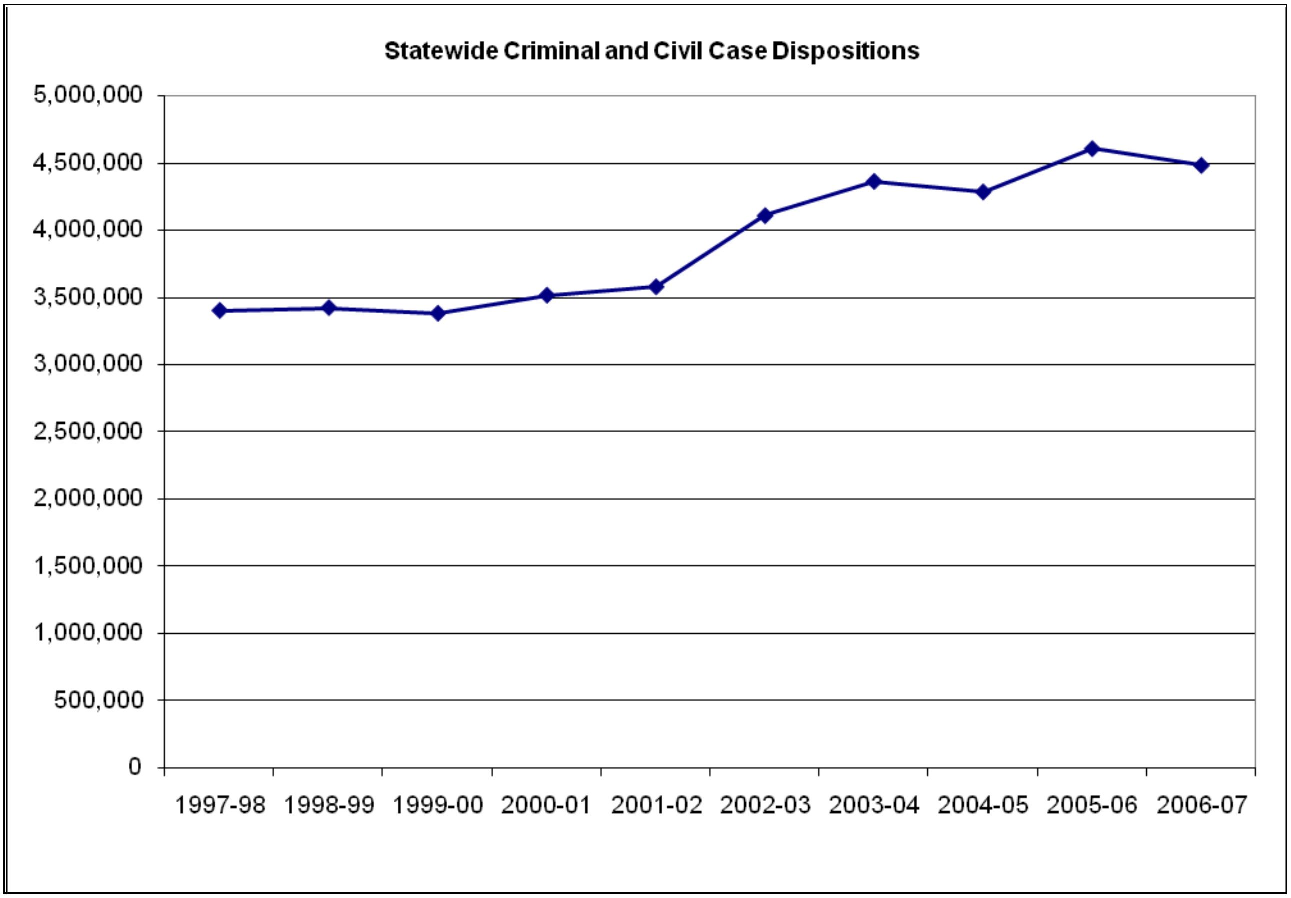
For critical and other high priority needs, the Long Range Financial Outlook projects a total increase in general revenue of $12.9 million for Fiscal Year 2009-10, an increase of $12.9 million for Fiscal Year 2010-11, and an increase of $13.9 million for Fiscal Year 2011-12.



Source: Actual Appropriations for Fiscal Year 2008-09 Adjusted for Supplementals and Vetoes

ASSUMPTIONS AND DISCUSSION OF MAJOR BUDGET DRIVERS

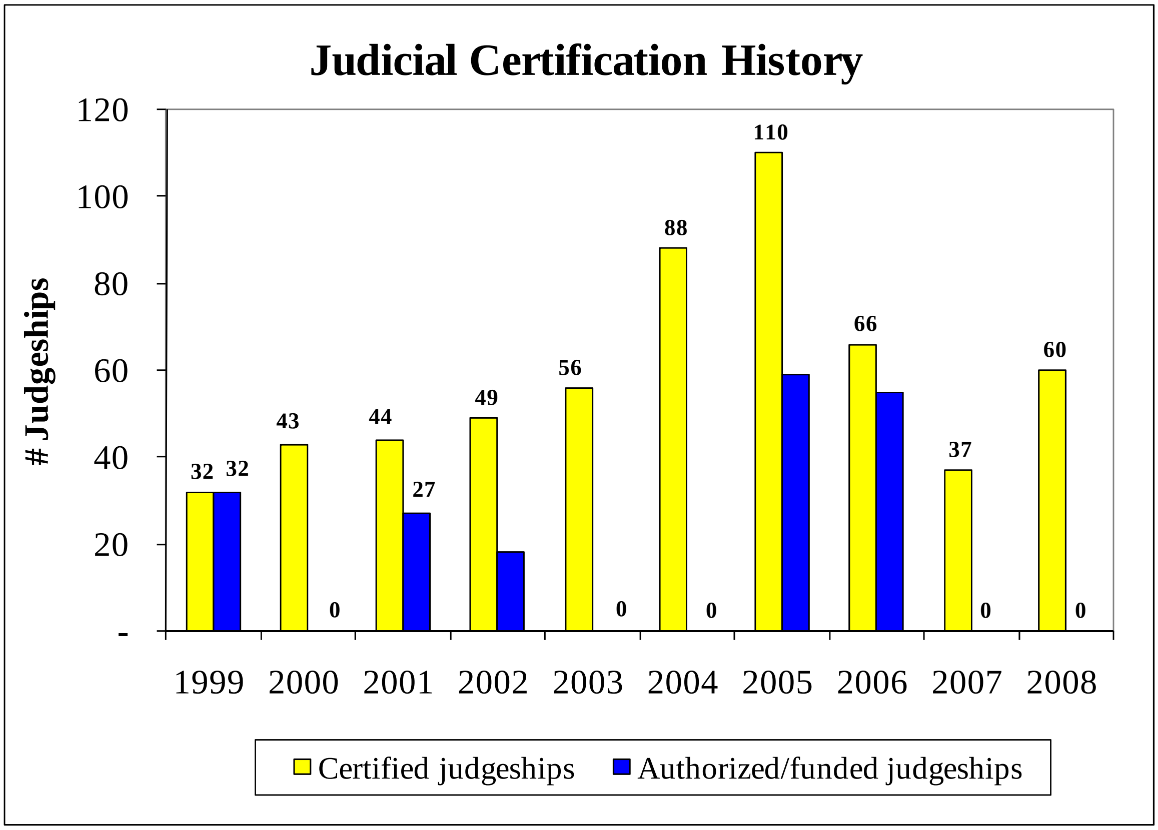
General – The financial outlook includes funding based on historical funding increases in the judicial branch. The Legislature has increased appropriations in recent years to the courts to better process the increase in cases. Criminal and civil case dispositions (cases closed) have increased by a million over the last ten years. On average, the number of cases increased 3.17 percent each year.



Source: Office of State Courts Administrator, SRS data.

Other High Priority Needs

Courts System Workload – New Judges and Support Positions - The increase in cases has not only caused an increase in funding, but also in the number of judges. The Florida Constitution requires the Supreme Court to certify to the Legislature the number of judges needed. The Legislature has historically funded a portion of the court's certification order. The average number of new judges established per year (20) over the ten years from 1997 to 2006 was used to estimate the number of additional judges for the Outlook. No new judgeships were created in the 2007 and 2008 sessions. The cost to establish a new judgeship, along with the associated staff and expenses is approximately $250,000 per year, or $5 million per year for the 20 judgeships.



Source: Florida Legislature

Supreme Court and District Courts of Appeal Fixed Capital Outlay - The state is responsible for the facility needs of the appellate courts, including the Supreme Court and District Courts of Appeal. The Legislature has already invested considerable funding in the Supreme Court Building. In a plan developed by the Supreme Court, the cost for additional renovations and repairs over a three year period is $6.3 million, an average of $2.1 million per year. Based on average expenditures for the District Courts of Appeal over the last three years, the Outlook includes an additional $0.7 million per year for those projects. Finally, once the new 1st District Court of Appeals building is occupied, an estimated $1 million will be needed annually for rent payments with the first payment due in Fiscal Year 2011-12.

Small County Courthouses - While the counties are responsible for the facility needs of the trial courts, the Legislature has historically provided additional funding to counties with populations of less than 75,000 to renovate and repair trial court buildings. Over the last five years, such expenditures have averaged $5 million per year, and this is the basis for the costs in the Outlook.

General Appropriations Act - Statewide Distributions / Administered Funds

Tier 2 Issues - Critical and Other High Priority Needs

Expenditure projections ($ millions)

Recurring	2008-09	2009-10	2010-11	2011-12
General Revenue	12.4	327.5	625.4	947.3
change		315.1	297.9	321.9
% change		2534.0%	91.0%	51.5%

Nonrecurring	2008-09	2009-10	2010-11	2011-12
General Revenue	20.0	0.0	0.0	0.0

TOTAL	2008-09	2009-10	2010-11	2011-12
General Revenue	32.4	327.5	625.4	947.3
budget impact		315.1	297.9	321.9

Statewide Distributions / Administered Funds

SUMMARY

In addition to the legislative budget, the Statewide Distributions / Administered Funds section of the financial outlook addresses two different types of issues discussed as follows:

- PART 1: Salaries and benefits including salary increases and additional state contributions for employee insurance and Florida Retirement System benefits.

- PART 2: Lump sum appropriations of funds for future distribution to agencies for statewide issues that are formula driven. This includes the state's Risk Management Insurance Program.

The long range financial outlook projects increases in recurring general revenue spending, for both critical and high priority needs relating to statewide distributions, of $315.1 million in Fiscal Year 2009-10; $297.9 million in Fiscal Year 2010-11; and $321.9 million in Fiscal Year 2011-12.

PART I - Salaries and Benefits

Salaries

State employee salary increases are estimated to cost $227.3 million in Fiscal Year 2009-10, $233 million in Fiscal Year 2010-11, and $238.8 million in Fiscal Year 2011-12. Roughly 70% of the increased costs are funded through the General Revenue Fund. These estimates are premised upon an assumption that the Legislature will authorize increases of 2.5% for each of the fiscal years.

STATEWIDE ACROSS-THE-BOARD SALARY INCREASES				
FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
$1000 *One time bonus*	3.6%	3.0%	$1000 *One time bonus*	No increase
Note that Specific Employee Groups have received increases in excess of across the board levels.				

Health Insurance

Costs associated with the state employee health insurance program are expected to increase by $166.4 million in Fiscal Year 2009-10, $197.3 million in Fiscal Year 2010-11, and $228.9 million in Fiscal Year 2011-12. These increased costs are based on assumptions that the state's self insured plan will experience 11% annual growth in medical claims and an average of 12.5% annual growth in pharmacy claims, and that the health maintenance contract costs will increase an average of 11.5% annually. These assumptions are consistent with the growth patterns experienced during recent years and the forecasts used by the industry in the coming years.

On the revenue side of the health insurance program, the financial outlook assumes that additional medical and pharmacy costs will be covered via premium increases paid by the state and employees. Generally, these costs have been funded through this mechanism. In recent years, however, a portion of the anticipated costs have been funded by increases in out-of-pocket expenditures (co-payments, deductibles, and coinsurance) by the employees and retirees and by transfers of trust fund balances to the program.

Florida Retirement System

The Florida Retirement System (System) enjoys an actuarial surplus of $8.2 billion as of June 2007. This surplus can be used to reduce the contribution rates paid by participating employers or to increase benefits paid to members of the System. Even with this surplus, the Florida Retirement System must be funded on an actuarially sound basis. As a result, the Legislature has set the statutory contribution rates at the “normal cost” (the actuarially determined cost of the system over the long term) of the System and has enacted a series of one-year reductions in contribution rates to reduce the level of the surplus and relieve the financial burdens placed upon the employers participating in the System. For example, the normal cost of the Regular Class is 9.60% of the class payroll while the actual contribution rate for Fiscal Year 2008-09 is 8.69%.

This financial outlook assumes that the Legislature will enact a series of rate increases that will move the actual contribution rate to the normal cost level over a three year period. The rates are projected to increase from 8.69% in Fiscal Year 2008-09 to 8.92% in Fiscal Year 2009-10; 9.21% in Fiscal Year 2010-11; and 9.60% in Fiscal Year 2011-12. Under this assumption, roughly $350 million of the actuarial surplus will be used during the first two years to offset contribution rates for employers. It should be noted that this is a conservative approach to utilizing the available surplus due to the unpredictability of the market value of the System portfolio and the expected rise in actuarial liabilities as the state’s aging workforce hits retirement age.

PART II – Lump Sum Formula Driven Distributions

The financial outlook includes funds for the state’s Risk Management Insurance Program. This program requires a detailed distribution to state agencies. The general revenue and trust fund allocations to the agencies for these issues are based on historical fund-split percentages.

Risk Management Insurance

The state's Risk Management Program administered by the Department of Financial Services 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 financial outlook uses data available from the March 2008 Risk Management Estimating Conference to estimate costs. These estimated costs include $8.1 million in recurring general revenue and $4.1 million in trust funds for the 2009-10 fiscal year; $10.2 million in recurring general revenue and $5.2 million in trust funds for the 2010-11 fiscal year; and $5.6 million in recurring general revenue and $2.9 million in trust funds for the 2011-12 fiscal year.

OTHER CONSIDERATIONS

The Long-Range Financial Outlook is based on events that are known or likely to occur. However, there are some risks that would significantly alter key assumptions were they to come to pass. One of those risks and its potential ramifications is as follows:

- Numerous lawsuits against the state exist at any point in time, only a few of which are reflected in this document. While the Chief Financial Officer has noted that such lawsuits are not expected to materially affect the state's overall financial position, they do have the capacity to disrupt specific programs and services and to force changes and adjustments to any fiscal outlook.

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