State of Florida

Long-Range Financial Outlook

Fiscal Years 2018-19 through 2020-21

Fall 2017 Report
As Adopted by the Legislative Budget Commission

Jointly prepared by the following:

The Senate Committee on Appropriations

The House Appropriations Committee

The Legislative Office of Economic and Demographic Research

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Long-Range Financial Outlook

The Outlook: Production and Development

What is the Outlook?

In 2006, Florida voters adopted a constitutional amendment that requires the development of a Long-Range Financial Outlook, setting out recommended fiscal strategies for the state and its departments in order to assist the Legislature in making budget decisions. The Legislative Budget Commission is required to issue the Outlook by September 15th of each year. The 2017 Outlook is the eleventh document developed in accordance with the provisions of article III, section 19(c)(1) of the Florida Constitution.

Ultimately, the Outlook is a tool that provides an opportunity to both avoid future budget problems and maintain financial stability between state fiscal years. The Outlook accomplishes this by providing a longer-range picture of the state's fiscal position that integrates projections of the major programs driving Florida's annual budget requirements with the revenue estimates. In this regard, the budget projections primarily reflect current-law spending requirements. The Outlook does not purport to predict the overall funding levels of future state budgets or the final amount of funds to be allocated to the respective budget areas. This is because very few assumptions are made regarding future legislative policy decisions on discretionary spending, making this document simply a reasonable baseline.

Estimated revenues and tax provisions are generally treated in the same way; however, a section was added for the first time in 2015 that shows the effects of continuing to make revenue adjustments similar in scope to those that have been made over the past three years.

The Outlook also includes economic, demographic, and debt analyses to provide a framework for the financial projections and covers the upcoming three state fiscal years: in this version, 2018-19, 2019-20, and 2020-21. It does this by using anticipated revenues and expenditures in the current year (2017-18) as the baseline. Within each table, all funds remaining after the budget drivers and other key issues are fully funded for each year are carried forward into the following fiscal year. In contrast, negative ending balances are assumed to be resolved within the fiscal year in which they occur, as constitutionally required.

Who produced it?

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

How was the Outlook developed?

- All major programs that have historically driven significant increases in the state's budget like Medicaid and the Florida Education Finance Program, as well as constitutional requirements such as the Land Acquisition Trust Fund, were reviewed and individually analyzed.

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

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

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

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

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

How is the Outlook structured?

- The Outlook contains budget drivers that are grouped by policy areas that roughly correspond to the appropriations bill format required by the Florida Constitution. Also included are separate sections for Potential Constitutional Issues, Significant Risks to the Forecast, Revenue Projections, Florida's Economic Outlook, Florida's Demographic Projections, Debt Analysis, Key Revenue Adjustments to the General Revenue Fund, and comparisons of costs versus revenues.

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

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

- Estimates for several ongoing programs historically funded with nonrecurring funds are also included in the Outlook. Even though funded with nonrecurring funds, these programs are viewed as annual “must funds” by most legislators and are therefore identified as major cost drivers. Similarly, several of the identified revenue adjustments assume that past levels of nonrecurring revenue adjustments (one-time tax holidays and trust fund transfers) continue each year.

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

- All revenue projections separately identify recurring and nonrecurring amounts.

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

- Budget drivers have been categorized as either “Critical Needs” (mandatory increases based on estimating conferences, and other essential needs) or “Other High Priority Needs” (historically funded issues). Critical Needs can be thought of as the absolute minimum the state must do absent significant law or structural changes, and Other High Priority Needs in combination with the Critical Needs form a highly conservative continuation budget. The budget drivers do not include any assumptions regarding funding for new programs, expansion of current programs, or new funding levels for community-based initiatives.

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

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

- The Fiscal Strategies section demonstrates the impact of different policy responses to identified problems and issues. The unique assumptions used for these scenarios are not built into the remainder of the Outlook.

What have previous Outlooks shown?

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

The Outlooks are primarily focused on the state's General Revenue Fund, the source for 57.0 percent of the state's planned expenditures from its own funds in Fiscal Year 2017-18. Because trust funds are dedicated to specific purposes, General Revenue is also the most flexible source to meet the state's needs. Starting with the first constitutionally required Outlook adopted in September 2007, the results at the time of adoption are shown below. All dollars are specific to the General Revenue Fund.

Outlook	For the Period Beginning	Year 1 ($ Millions)	Year 2 ($ Millions)	Year 3 ($ Millions)	Level of Reserves
2007	Fiscal Year 2008-09	(2,334.5)	(2,860.7)	(3,066.0)	0.0
2008	Fiscal Year 2009-10	(3,306.3)	(2,482.5)	(1,816.8)	0.0
2009	Fiscal Year 2010-11	(2,654.4)	(5,473.2)	(5,228.6)	0.0
2010	Fiscal Year 2011-12	(2,510.7)	(2,846.3)	(1,930.3)	0.0
2011	Fiscal Year 2012-13	273.8	692.1	840.6	1,000.0
2012	Fiscal Year 2013-14	71.3	53.5	594.0	1,000.0
2013	Fiscal Year 2014-15	845.7	1,426.7	3,295.3	1,000.0
2014	Fiscal Year 2015-16	336.2	1,004.5	2,156.1	1,000.0
2015	Fiscal Year 2016-17	635.4	583.7	222.2	1,000.0
2016	Fiscal Year 2017-18	7.5	(1,300.9)	(1,897.7)	1,000.0

Summary and Findings

A. Key Aspects of the Revenue Estimates

- Following the March 2017 General Revenue Estimating Conference, underlying collections were virtually on forecast, ending the 2016-17 fiscal year with a gain of $35.6 million, or only one-tenth of one percent above the estimate.

- The Revenue Estimating Conference met on August 15, 2017, to revise the General Revenue forecast. Based on the slightly weaker near-term National and Florida economic forecasts, the new forecast for overall General Revenue would have essentially matched the old forecast in the short-term; however, recognition of Indian Gaming revenue share payments associated with banked card games resulted in a net increase in the estimate. Overall, anticipated revenues were revised upward by $132.2 million in Fiscal Year 2017-18 and by $188.1 million in Fiscal Year 2018-19, for a two-year total of $320.3 million.

- The revised Fiscal Year 2017-18 estimate exceeds the prior year's collections by $1.33 billion (4.5 percent). The revised forecast for Fiscal Year 2018-19 has projected growth of $1.28 billion (4.1 percent) over the revised Fiscal Year 2017-18 estimate. The growth rate for Fiscal Year 2019-20 was unchanged at 4.0 percent, and for Fiscal Year 2020-21 it was increased from 3.6 percent to 3.7 percent, with the resulting dollar levels staying similar to the prior forecast.

Fiscal Year	Post-Session Forecast	August Forecast	Difference (Aug - PS)	Incremental Growth	Growth
2005-06	27,074.8				8.4%
2006-07	26,404.1				-2.5%
2007-08	24,112.1				-8.7%
2008-09	21,025.6				-12.8%
2009-10	21,523.1				2.4%
2010-11	22,551.6				4.8%
2011-12	23,618.8				4.7%
2012-13	25,314.6				7.2%
2013-14	26,198.0				3.5%
2014-15	27,681.1				5.7%
2015-16	28,325.4				2.3%
2016-17	29,558.9	29,594.5	35.6	1,269.1	4.5%
2017-18	30,793.8	30,926.0	132.2	1,331.5	4.5%
2018-19	32,013.3	32,201.4	188.1	1,275.4	4.1%
2019-20	33,278.9	33,474.9	196.0	1,273.5	4.0%
2020-21	34,461.7	34,714.5	252.8	1,239.6	3.7%
2021-22	35,667.1	35,977.9	310.8	1,263.4	3.6%
2022-23	n/a	37,214.0	n/a	1,236.1	3.4%

- The changes to the General Revenue estimate also affect the constitutionally required transfers to the Budget Stabilization Fund (BSF). Based on the August 2017 forecast, transfers of $68.2 million in Fiscal Year 2018-19, $72.9 million in Fiscal Year 2019-20, and $53.8 million in Fiscal Year 2020-21 will be required.

- The most recent official Financial Outlook Statement for the General Revenue Fund was adopted August 15, 2017, by the Revenue Estimating Conference. This document embeds changes that have altered the bottom line from what the Legislature knew at the time it adopted the General Appropriations Act for Fiscal Year 2017-18 (see Post-Session Outlook Statement dated July 11, 2017, for reference).

    - The *Funds Available for Fiscal Year 2016-17* have been increased to account for the additional revenue collections.

    - The *Funds Available for Fiscal Years 2017-18 through 2020-21* have been adjusted to account for the results of the revenue estimating conferences that were held during the Summer Conference Season.

    - The *Funds Available for Fiscal Year 2017-18* have been adjusted to include the release of the Indian Gaming reserve.

Special Note to General Revenue Forecast and Financial Outlook Statement:

In addition to recognizing Indian Gaming revenue share payments associated with banked card games in the forecast, the Revenue Estimating Conference also released the payments already received by the state that were held in reserve. Of the total $233.8 million held in reserve at the end of July 2017, $226.8 million belongs solely to the state and was recognized on the General Revenue Financial Outlook Statement that was adopted on August 15, 2017. The combined two-year total of the Indian Gaming forecast change ($323.9 million) and reserve release ($226.8 million) is $550.7 million.

Although the combined forecast change and reserve release for Indian Gaming increased the overall total for General Revenue, it had the opposite effect on recurring revenue. The future revenue share payments, including those formerly placed in reserve, have been treated as nonrecurring revenues because the continuation of these payments depends on actions by the state and the Seminole Tribe that cannot be anticipated with sufficient certainty. Since the entire amount is now nonrecurring, the General Revenue Outlook loses between $113.7 million and $117.7 million that were formerly shown as recurring for each year of the period covered by the Long-Range Financial Outlook.

- The 2018-19 starting point for the Long-Range Financial Outlook reflects additional adjustments for issues identified since the release of the official Financial Outlook Statement for the General Revenue Fund. Funds totaling $29.6 million have been set aside to address projected current-year operating deficits identified by estimating conferences, including:

- $0.3 million to offset a projected deficit in the Kidcare program; and
- $29.3 million to offset a projected revenue deficit in the State School Trust Fund.

- The revenue sources for the Educational Enhancement Trust Fund will have modest long-term growth and mixed results in the near-term. Because of a large one-time balance forward of unspent funds from Fiscal Year 2017-18 into Fiscal Year 2018-19 ($250.8 million), the trust fund will have more funds available for expenditure in Fiscal Year 2018-19 than in Fiscal Year 2019-20 or Fiscal Year 2020-21. This is particularly important because some nonrecurring funds were spent on recurring purposes in the current year.

- The State School Trust Fund is projected to have a deficit of $29.3 million in Fiscal Year 2017-18. The deficit is the result of both lower than expected transfers from the Unclaimed Property Trust Fund in the 2016-17 fiscal year, which reduced the balance forward into Fiscal Year 2017-18, and a reduction to the forecast. The projected funds available for each year of the forecast are well below the current year level of recurring appropriations; thus, reductions to the base budget will be required.

- The Tobacco Settlement Trust Fund is projected to have modest long-term growth. Because of a large one-time balance forward of unspent funds from Fiscal Year 2017-18 into Fiscal Year 2018-19 ($25.4 million), the trust fund will have more funds available for expenditure in Fiscal Year 2018-19 than in Fiscal Years 2019-20 and 2020-21.

B. Key Aspects of State Reserves

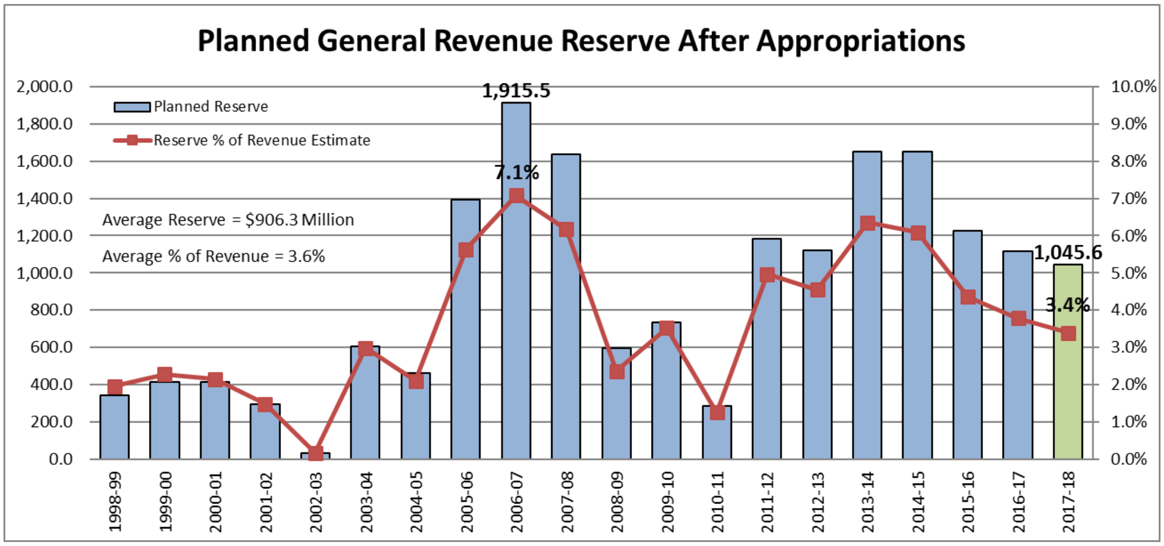
- Unallocated General Revenue, the Budget Stabilization Fund (BSF), and the Lawton Chiles Endowment Fund are generally considered to comprise the state's reserves. The following table shows the estimated total state reserves at the time each year's Outlook was adopted.

Outlook Year	Baseline Fiscal Year	Unallocated General Revenue	Budget Stabilization Fund	Lawton Chiles Endowment Fund	Total Reserves	GR Summer Revenue Estimate*	% of GR Estimate
2011	2011-12	1,357.5	493.6	696.2	2,547.3	23,795.1	10.7%
2012	2012-13	1,577.7	708.1	426.1	2,711.9	24,631.6	11.0%
2013	2013-14	1,893.5	924.8	536.3	3,354.6	26,184.2	12.8%
2014	2014-15	1,589.0	1,139.2	629.3	3,357.5	27,189.4	12.3%
2015	2015-16	1,709.1	1,353.7	590.2	3,653.0	28,414.1	12.9%
2016	2016-17	1,414.2	1,384.4	637.5	3,436.1	29,732.8	11.6%
2017	2017-18	1,458.5	1,416.5	713.4	3,588.4	31,152.8	11.5%

**Reflects the General Revenue forecast adopted by the Revenue Estimating Conference in the summer preceding the adoption of each Long-Range Financial Outlook. The Fiscal Year 2016-17 amount includes the $400 million payment associated with the BP Settlement Agreement. The Fiscal Year 2017-18 amount includes the $226.8 million Indian Gaming reserve release.*

- The Long-Range Financial Outlook only addresses the General Revenue portion of total state reserves. As has been done in each of the past six plans, this year's Outlook sets aside a $1.0 billion General Revenue reserve in each year.

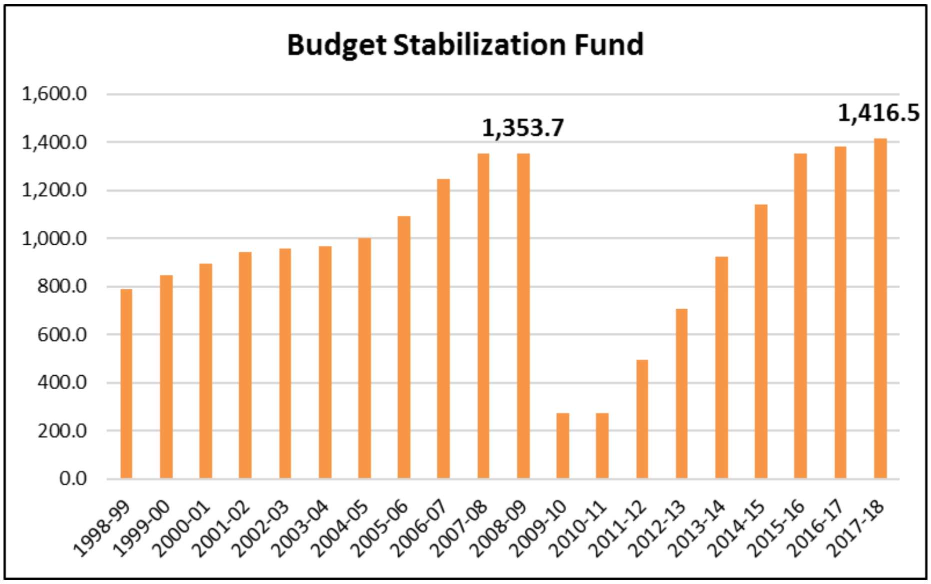
- The Legislature's planned levels of unallocated General Revenue, as shown in the following graph, have averaged approximately $906.3 million since Fiscal Year 1998-99, the first year the Florida Constitution required the full five percent distribution from General Revenue to the BSF.



- Prior to Florida's housing boom in Fiscal Years 2002-03 through 2005-06, the state's practice had been to maintain fairly low levels of planned General Revenue reserves. As the housing boom led to increased state revenue collections, the unallocated General Revenue reserve increased rapidly each year, peaking in Fiscal Year 2006-07 at $1.9 billion (7.1 percent of the Post-Session General Revenue estimate).

- After its creation in Fiscal Year 1994-95, the BSF grew steadily, topping $1.35 billion in Fiscal Year 2008-09. Following the collapse of the housing boom and Florida's slide into the Great Recession (Fiscal Years 2008-09 and 2009-10), the Legislature significantly reduced the General Revenue reserve and also transferred nearly $1.1 billion from the BSF into the General Revenue Fund in order to balance the state's budget. Since that time, the Legislature has significantly increased the level of the planned General Revenue reserve, consistently staying above the long-run average. For Fiscal Year 2017-18, the Legislature left more than $1.0 billion unallocated (3.4 percent of the Post-Session General Revenue estimate). In addition, the BSF has been fully repaid and has now surpassed its prior peak.

[SEE GRAPH ON FOLLOWING PAGE]



- For Fiscal Year 2017-18, the BSF will have a balance of over $1.4 billion, and the Lawton Chiles Endowment Fund had a balance of $713.4 million as of August 2017. At the time of this Outlook, the total anticipated reserves for Fiscal Year 2017-18 are nearly $3.6 billion, or approximately 11.5 percent of the Fiscal Year 2017-18 General Revenue estimate. Because the release of the Indian Gaming reserve was first included in the Financial Outlook Statement for the General Revenue Fund adopted in August, these revenues are now counted as part of the state's Fiscal Year 2017-18 General Revenue reserve, raising the level to $1,458.5 million relative to the Post-Session General Revenue Financial Outlook Statement.

- Within the Long-Range Financial Outlook, reserves have also been created for each of the three major trust funds (i.e., Educational Enhancement, State School, and Tobacco Settlement). The amounts have been calculated by applying a percentage to each fund's revenue estimate that is roughly equal to the $1.0 billion retained for the General Revenue Fund as a percentage of its revenue estimate for Fiscal Year 2018-19.

C. Key Aspects of the Expenditure Demands

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

- When historical funding averages are used for drivers, the Outlook relies on three-year pre-veto appropriations averages, unless otherwise noted. If the three-year average was negative, no change in funding was made. An exception was made for Fiscal Year 2017-18 to accommodate the appropriations made in Special Session A. In this case, the results for both the Regular and Special Sessions were combined to achieve the appropriate net result.

- In the Tier 1 Table on page 20, only Critical Needs are shown. Critical Needs reflect mandatory increases based on estimating conferences and other essential items. The 18 Critical Needs drivers represent the minimum cost to fund the budget without significant programmatic changes. For the General Revenue Fund, the greatest burden occurs in Fiscal Year 2019-20 when projected expenditures jump sharply from Fiscal Year 2018-19. In part, this is due to the depletion of large one-time trust fund balances that ameliorated the recurring General Revenue need in Fiscal Year 2018-19. It is also caused by the scheduled reduction in the federal match rate for the Kidcare program beginning October 1, 2019.

- In the Tier 2 Table on page 21, Other High Priority Needs are added to the Critical Needs. Other High Priority Needs reflect issues that have been funded in most, if not all, of the recent budget years. Both types of drivers are combined to represent a more complete, yet still conservative, approach to estimating future expenditures. In contrast to Critical Needs, the General Revenue burden for the 35 Other High Priority Needs is spread fairly evenly across the fiscal years, but declines slightly over time.

DOLLAR VALUE OF CRITICAL AND OTHER HIGH PRIORITY NEEDS

GENERAL REVENUE FUND	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21
Total Tier 1 - Critical Needs	17.8	753.4	317.4
Total - Other High Priority Needs	2,042.8	1,925.1	1,911.3
Total Tier 2 - Critical and Other High Priority Needs	2,060.6	2,678.5	2,228.7

- The Other High Priority Needs comprise greater shares of the total needs than Critical Needs for all three years of the Outlook, representing over 99 percent of the total needs in the first year, 72 percent in the second year, and nearly 86 percent in the third year.

PERCENTAGE OF TOTAL CRITICAL AND OTHER HIGH PRIORITY NEEDS

GENERAL REVENUE FUND	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21
Total Tier 1 - Critical Needs	0.9%	28.1%	14.2%
Total - Other High Priority Needs	99.1%	71.9%	85.8%
Total Tier 2 - Critical and Other High Priority Needs	100.0%	100.0%	100.0%

- Not only are the projected expenditures for Critical and Other High Priority Needs different over time, but the various policy areas also differ in their resource demands by year. Two large policy areas, Higher Education and Human Services, have their greatest needs in the second year of the Outlook, requiring significantly more General Revenue than in the first year of the Outlook. These are the areas most affected by the depletion of the trust fund balances. Other areas, including Natural Resources and Administered Funds-Statewide Issues, have more balanced needs across the three years of the Outlook.

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

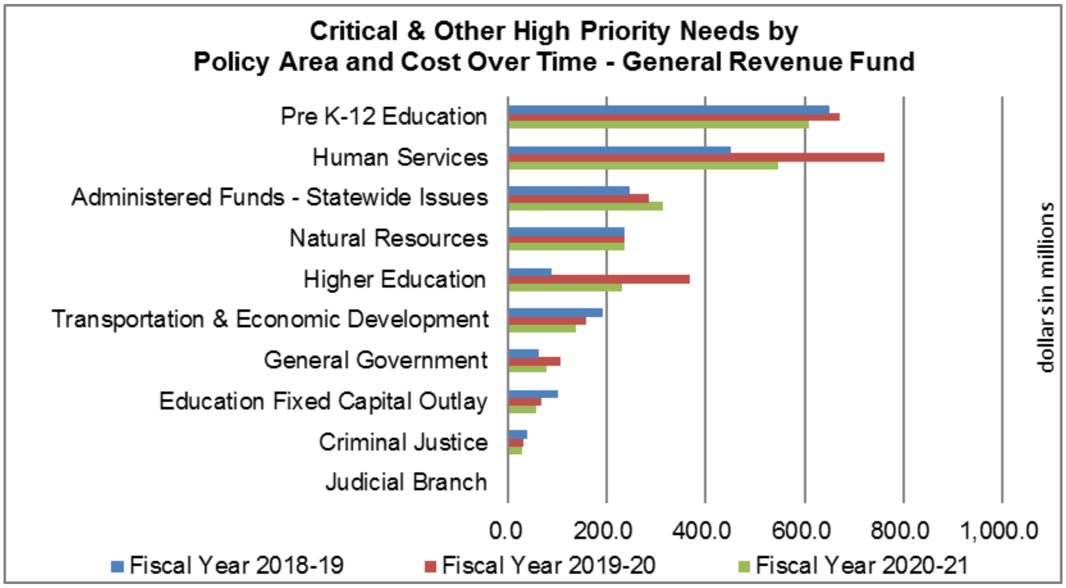
POLICY AREAS	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21
Pre K-12 Education	651.5	670.6	608.2
Higher Education	87.4	366.8	229.7
Education Fixed Capital Outlay	100.2	65.9	56.9
Human Services	451.2	762.3	545.7
Criminal Justice	37.3	30.1	28.3
Judicial Branch	0.0	0.0	0.0
Transportation & Economic Development	192.1	158.3	135.4
Natural Resources	235.0	234.8	235.2
General Government	60.8	106.4	76.6
Administered Funds - Statewide Issues	245.1	283.3	312.7
Total New Issues	2,060.6	2,678.5	2,228.7

- Another method of analyzing the projected expenditures for Critical and Other High Priority Needs is to look at the percentage of the total represented by each policy area. In Fiscal Year 2018-19, Pre K-12 Education drivers comprise nearly one-third of the total need, followed by Human Services at roughly 22 percent. These two policy areas trade positions in the second year of the Outlook, with Human Services representing the largest share of the total need at 28.5 percent, compared to Pre K-12 Education at 25.0 percent. Together, Pre K-12 Education and Human Services represent over one-half (53 percent) of the total three-year driver need of $6.97 billion.

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

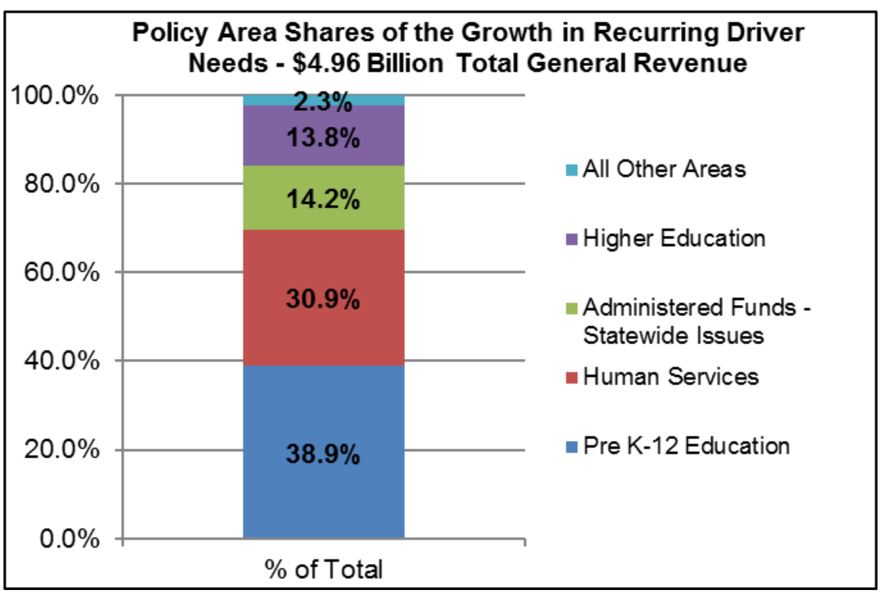
POLICY AREAS	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21
Pre K-12 Education	31.6%	25.0%	27.3%
Higher Education	4.2%	13.7%	10.3%
Education Fixed Capital Outlay	4.9%	2.5%	2.6%
Human Services	21.9%	28.5%	24.5%
Criminal Justice	1.8%	1.1%	1.3%
Judicial Branch	0.0%	0.0%	0.0%
Transportation & Economic Development	9.3%	5.9%	6.1%
Natural Resources	11.4%	8.8%	10.6%
General Government	3.0%	4.0%	3.4%
Administered Funds - Statewide Issues	11.9%	10.6%	14.0%
Total New Issues	100.0%	100.0%	100.0%

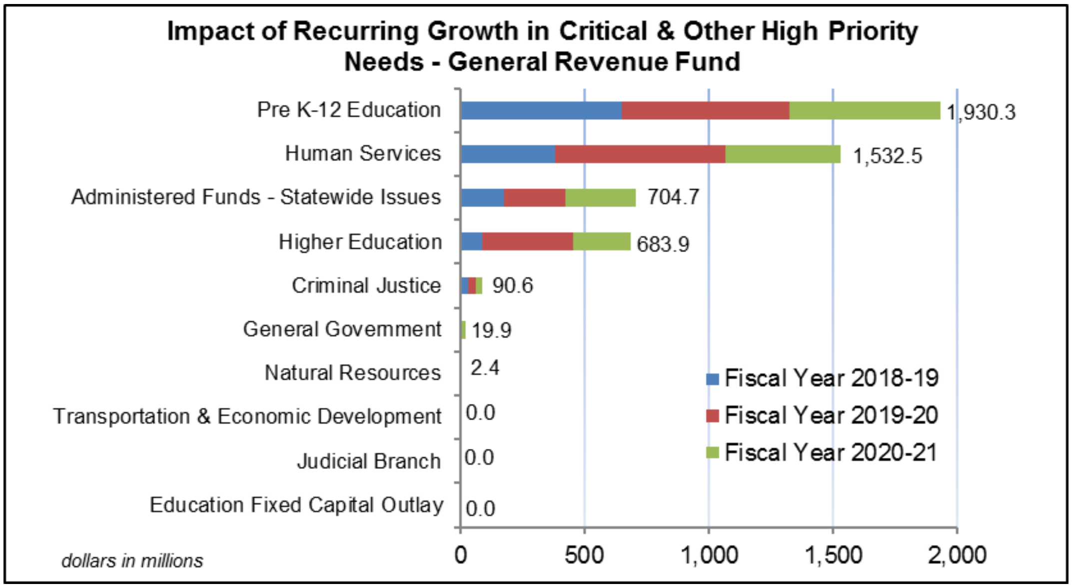
- When taking into account both Critical Needs and Other High Priority Needs, Pre K-12 Education is the policy area with the greatest driver needs in the first and third years of the Outlook while Human Services has the greatest driver needs in the second year.



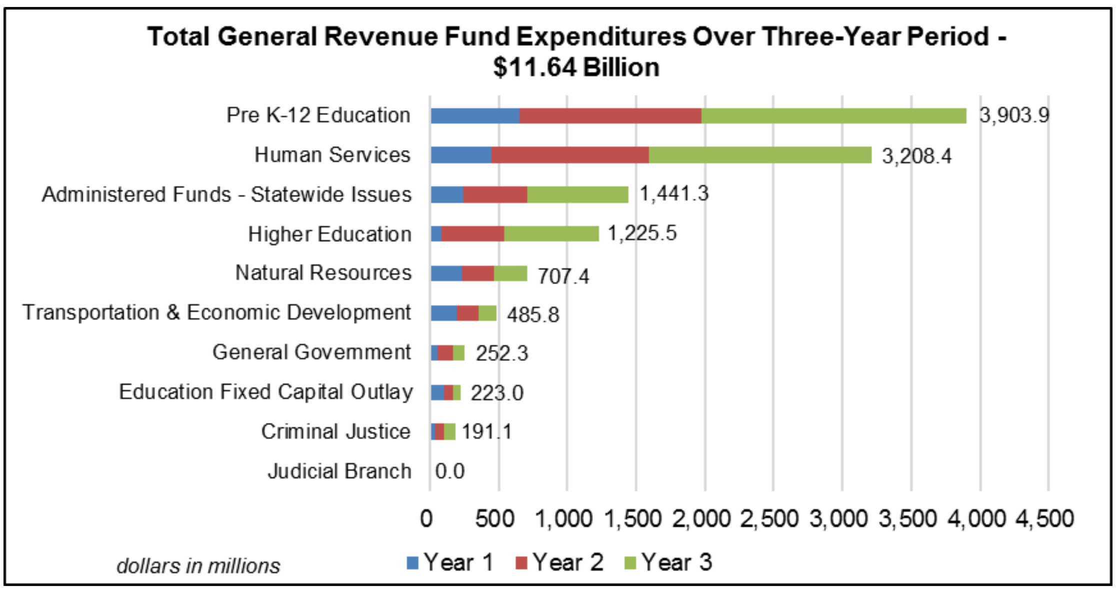
- Focusing only on Critical Needs, the Medicaid program is the largest single driver in all three years of the Outlook; however, this result is largely due to the structure of education funding. The interaction between state and local funds for the Florida Education Finance Program (FEFP) requires an evaluation across multiple drivers; focus on any one driver in isolation is misleading.

- The Pre K-12 Education policy area, primarily driven by FEFP expenditures, has the greatest need for new recurring General Revenue, increasing more than $1.9 billion from the beginning of the period to the end. By itself, this area generates 38.9 percent of the total $4.96 billion recurring increase. The next largest area is Human Services, which is projected to increase its need for recurring dollars by more than $1.5 billion over the three-year period, or 30.9 percent of the total, primarily because of increased Medicaid expenditures.





- Over the entire Outlook period, the combined recurring and nonrecurring drivers result in nearly $11.64 billion of General Revenue expenditures on Critical and Other High Priority Needs. This represents an increase of 11.1 percent from the expenditures included in the 2016 Outlook.



- Of the $11.64 billion total, slightly more than $2.0 billion will be spent on nonrecurring issues, or 17.2 percent of the total.

- The remaining $9.6 billion results from a 16.1 percent increase in recurring expenditures from the starting point for Fiscal Year 2018-19 to the end of the plan. The magnitude of the expenditure is attributable to the recurring effects of each year's drivers continuing through the remaining years contained in the Outlook, with each new year adding to the prior year's recurring appropriations. While the first year's infusion of recurring dollars is displayed in the recurring column for the driver, the associated funds for the following years are combined and shown as the Recurring Impact of Prior Years' New Issues on the tables displayed on pages 20, 21, and 22.

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

- In the Tier 3 Table on page 22, General Revenue Adjustments are added to the Critical and Other High Priority Needs drivers to reflect legislative actions that alter the revenue-side of the state's fiscal picture. These adjustments include:

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

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

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

	2018-19			2019-20			2020-21		
	Rec	**NR**	**Total**	**Rec**	**NR**	**Total**	**Rec**	**NR**	**Total**
Continuing Tax and Fee Changes	(141.1)	51.6	(89.5)	(141.1)	51.6	(89.5)	(141.1)	51.6	(89.5)
Recurring Impact of Prior Years' Tax and Fee Changes	0.0	0.0	0.0	(141.1)	0.0	(141.1)	(282.3)	0.0	(282.3)
Time-Limited Tax and Fee Changes	0.0	(63.9)	(63.9)	0.0	(63.9)	(63.9)	0.0	(63.9)	(63.9)
Trust Fund Transfers (GAA)	0.0	323.6	323.6	0.0	323.6	323.6	0.0	323.6	323.6
Total	**(141.1)**	**311.3**	**170.2**	**(282.3)**	**311.3**	**29.0**	**(423.4)**	**311.3**	**(112.1)**

- The continuing tax and fee adjustments do not include any impact associated with the levels of Required Local Effort (RLE) adopted by the Legislature as part of the annual appropriations for the Florida Education Finance Program (FEFP). While this annual decision affects the levy of property taxes, it has only budgetary implications for the General Revenue Fund. These budgetary implications are addressed in the Critical and Other High Priority Needs drivers for Pre K-12 Education. By deciding to hold the RLE level flat for the past two years, the Legislature anticipated that there would be accompanying reductions in the statewide average millage rate computed by the Commissioner of Education. In the FEFP Second Calculation for 2015-16, the statewide average millage rate for RLE was 4.984; in 2016-17, it was 4.638; and for 2017-18, it is 4.308.

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

- Fiscal Year 2018-19

    - Total General Revenue available for appropriation is $33,754.9 million.

    - The base budget, transfers to the Budget Stabilization Fund, and Critical Needs funded with General Revenue are estimated to cost $30,830.3 million. Including a holdback for a reserve balance of $1.0 billion increases the total expenditure need to $31,830.3 million. This figure grows to a total of $33,873.1 million when Other High Priority Needs are included.

    - Combined, recurring and nonrecurring General Revenue Critical Needs—plus a minimum reserve of $1.0 billion—are significantly less than the available General Revenue, leaving a surplus of more than $1.9 billion. However, when Other Priority Needs are added, the available General Revenue falls short of the projected total need by $118.2 million.

    - After accounting for the revenue adjustments included in Tier 3 of the Outlook, there is enough General Revenue to cover the Critical and Other High Priority Needs; however, there is essentially no remaining General Revenue for discretionary issues—the projected surplus of $52.0 million equates to just 0.16 percent of the General Revenue estimate for Fiscal Year 2018-19.

    - Further, the projected recurring expenditures and revenue adjustments, in combination, outstrip the available recurring resources by $265.0 million.

OUTLOOK PROJECTION – FISCAL YEAR 2018-19 *(in millions)*			
	RECURRING	NON RECURRING	TOTAL
AVAILABLE GENERAL REVENUE	**$31,951.5**	**$1,803.4**	**$33,754.9**
Base Budget	$30,744.3	$0.0	$30,744.3
Transfer to Budget Stabilization Fund	$0.0	$68.2	$68.2
Critical Needs	($77.9)	$95.7	$17.8
Other High Priority Needs	$1,409.0	$633.8	$2,042.8
Reserve	$0.0	$1,000.0	$1,000.0
TOTAL EXPENDITURES	**$32,075.4**	**$1,797.7**	**$33,873.1**
Revenue Adjustments	($141.1)	$311.3	$170.2
ENDING BALANCE	**($265.0)**	**$317.0**	**$52.0**

- Fiscal Years 2019-20 and 2020-21
  - Fiscal Years 2019-20 and 2020-21 both show projected budget needs significantly in excess of available revenue for Critical and Other High Priority Needs. The recurring shortfalls are even greater when factoring in the potential revenue adjustments.
  - This means that the available General Revenue is insufficient to meet budget demands related to Tier 2 and Tier 3 in the second and third years of the planning horizon unless prior corrective actions are taken.

F. Analyzing the Results

Legislative actions during the 2011 and 2012 Sessions to close the projected budget gaps through *recurring* means positively impacted the state's bottom line in subsequent years. In this regard, total estimated expenditures for future years were limited by the amount of recurring expenditure reductions taken in Fiscal Year 2011-12 and Fiscal Year 2012-13. This greatly improved the Long-Range Financial Outlook's bottom line through Fiscal Year 2013-14. Conversely, actions by the Legislature in the 2014, 2015, and 2016 Sessions to undertake increased recurring expenditures and negative revenue adjustments have reduced the projected surplus between available General Revenue dollars and anticipated expenditures relative to the prior year's Outlook for each year. The color-coded shading on the table below for the 2013 through 2016 Outlooks traces the diminishing balances through the subsequent years (i.e., Year 3 on the 2013 Outlook becomes Year 2 on the 2014 Outlook and Year 1 on the 2015 Outlook).

Outlook	For the Period Beginning	Year 1 ($ Millions)	Year 2 ($ Millions)	Year 3 ($ Millions)	Level of Reserves
2007	Fiscal Year 2008-09	(2,334.5)	(2,860.7)	(3,066.0)	0.0
2008	Fiscal Year 2009-10	(3,306.3)	(2,482.5)	(1,816.8)	0.0
2009	Fiscal Year 2010-11	(2,654.4)	(5,473.2)	(5,228.6)	0.0
2010	Fiscal Year 2011-12	(2,510.7)	(2,846.3)	(1,930.3)	0.0
2011	Fiscal Year 2012-13	273.8	692.1	840.6	1,000.0
2012	Fiscal Year 2013-14	71.3	53.5	594.0	1,000.0
2013	Fiscal Year 2014-15	845.7	1,426.7	**3,295.3**	1,000.0
2014	Fiscal Year 2015-16	336.2	**1,004.5**	**2,156.1**	1,000.0
2015	Fiscal Year 2016-17	**635.4**	**583.7**	**222.2**	1,000.0
2016	Fiscal Year 2017-18	**7.5**	**(1,300.9)**	**(1,897.7)**	1,000.0
2017	Fiscal Year 2018-19	**52.0**	**(1,146.2)**	(1,639.6)	1,000.0

Performing this analysis for the 2017 Outlook yields interesting results. First, the inclusion of the Indian Gaming reserve release and forecast change to recognize the revenue share payments associated with banked card games significantly improved the bottom line anticipated by the Legislature at the conclusion of the 2017 Regular Session and Special Session A. The table below shows the difference created by incorporating the additional Indian Gaming revenues during the Summer Conference Season. As shown, the small positive ending balance in Year 1 is entirely due to these changes.

Outlook Calculation	Year 1 ($ Millions)	Year 2 ($ Millions)	Year 3 ($ Millions)	Level of Reserves
Without Indian Gaming Change	(498.7)	(1,365.7)	(1,809.5)	1,000.0
With Indian Gaming Change	52.0	(1,146.2)	(1,639.6)	1,000.0
Difference Due to Change	+550.7	+219.5	+165.1	n/a

*Note: Year 2 benefits in two ways: $167.5 million for Conference adjustment + unspent prior year ending balance ($52 million) that moves forward into the subsequent year.

Second, while the net result is better than anticipated by the 2016 Outlook for Fiscal Year 2017-18, the projected level of the recurring shortfall in the current year is virtually the same. The improvement came from a much higher than expected nonrecurring ending balance. In part, this is explained by the Indian Gaming changes, but it is also explained by the much higher than expected trust fund transfers. The 2016 Outlook assumed trust fund transfers of $242.5 million, but the Legislature ultimately transferred $456.3 million—an increase of $213.8 million. The better net position in Fiscal Year 2017-18 improved the Fiscal Year 2018-19 short-term results on the new Outlook. However, there are ramifications to this higher level of trust fund transfers; they are discussed further in the Fiscal Strategies section (page 24) and the Key Revenue Adjustments to the General Fund section (page 128).

Finally, notwithstanding the above two paragraphs, the actions taken during the 2017 Session also had a modestly positive impact on the projected shortfalls identified in the 2016 Outlook. Even so, the large negative ending balances for Fiscal Year 2019-20 and Fiscal Year 2020-21 in both Tiers 2 and 3 indicate a looming problem remains. Particularly problematic is the fact that the *recurring* General Revenue demands exceed the amount of *recurring* General Revenue available in all three years for both Tier 2 and Tier 3. This indicates that a structural imbalance is occurring.

Since the increase in projected recurring expenditures (and negative revenue adjustments in Tier 3) in Fiscal Year 2018-19 clearly contributes to and worsens the problems in Fiscal Year 2019-20 and Fiscal Year 2020-21, fiscal strategies are advisable for all three years of the Outlook in order to manage the problems in the out-years.

Tier 1 Table – Critical Needs

LONG-RANGE FINANCIAL OUTLOOK

TIER 1 ISSUES - CRITICAL NEEDS

GENERAL REVENUE FUNDS AVAILABLE PROJECTION

($ MILLIONS)

		Fiscal Year 2017-18			Fiscal Year 2018-19			Fiscal Year 2019-20			Fiscal Year 2020-21		
		Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
1	**Funds Available:**												
2	Balance Forward	0.0	1,363.9	1,363.9	0.0	1,428.9	1,428.9	0.0	1,924.6	1,924.6	0.0	4,031.4	4,031.4
3	Unused Reserve from Prior Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0
4	*General Revenue Outlook Statement Components*												
5	Revenue Estimate	30,649.4	276.6	30,926.0	31,925.2	276.2	32,201.4	33,193.7	281.2	33,474.9	34,428.3	286.2	34,714.5
6	BP Settlement Agreement	26.7	(26.7)	0.0	26.7	0.0	26.7	26.7	0.0	26.7	26.7	0.0	26.7
7	Release of Indian Gaming Reserve	0.0	226.8	226.8									
8	Non-operating Funds and Authorized Trust Fund Transfers	(0.7)	553.7	553.0	(0.4)	98.3	97.9	(0.4)	98.3	97.9	(0.4)	98.3	97.9
9	*Revenue Adjustments to the General Revenue Fund*												
10	Continuing Tax and Fee Changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11	Recurring Impact of Prior Years' Tax and Fee Changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12	Time-Limited Tax and Fee Changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
13	Trust Fund Transfers (GAA)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14	**Total Funds Available**	**30,675.4**	**2,394.3**	**33,069.7**	**31,951.5**	**1,803.4**	**33,754.9**	**33,220.0**	**3,304.1**	**36,524.1**	**34,454.6**	**5,415.9**	**39,870.5**
15													
16	**Estimated Expenditures:**												
17	Recurring Base Budget (Including Annualizations)				30,744.3	0.0	30,744.3	30,744.3	0.0	30,744.3	30,744.3	0.0	30,744.3
18	Recurring Impact of Prior Years' New Issues				0.0	0.0	0.0	(77.9)	0.0	(77.9)	614.9	0.0	614.9
19													
20	**New Issues by GAA Section:**												
21	Section 2 - Pre K-12 Education	12,180.4	(46.5)	12,133.9	(288.9)	0.0	(288.9)	(258.5)	0.0	(258.5)	(352.2)	0.0	(352.2)
22	Section 2 - Higher Education	4,415.7	70.5	4,486.2	(234.2)	0.0	(234.2)	125.4	0.0	125.4	(11.0)	0.0	(11.0)
23	Section 2 - Education Fixed Capital Outlay	0.0	139.8	139.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
24	Section 3 - Human Services	9,277.1	125.9	9,403.0	316.4	0.0	316.4	615.4	0.0	615.4	399.7	0.0	399.7
25	Section 4 - Criminal Justice	3,616.3	58.3	3,674.6	(8.4)	0.0	(8.4)	(1.5)	0.0	(1.5)	(1.2)	0.0	(1.2)
26	Section 7 - Judicial Branch	414.7	7.7	422.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
27	Section 5 & 6 - Transportation & Economic Development	61.1	126.2	187.3	0.0	67.0	67.0	0.0	37.2	37.2	0.0	15.9	15.9
28	Section 5 - Natural Resources	139.9	221.9	361.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
29	Section 6 - General Government	233.7	51.6	285.3	(0.1)	28.7	28.6	0.1	23.4	23.5	0.1	24.3	24.4
30	Section 2 & 6 - Administered Funds - Statewide Issues	367.0	47.0	414.0	137.3	0.0	137.3	211.9	0.0	211.9	241.8	0.0	241.8
31	**Total New Issues**				(77.9)	95.7	17.8	692.8	60.6	753.4	277.2	40.2	317.4
32													
33	Approved Budget Amendments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
34	Current Year Estimating Conference Operating Deficits	0.0	29.6	29.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
35	Transfer to Budget Stabilization Fund	0.0	32.1	32.1	0.0	68.2	68.2	0.0	72.9	72.9	0.0	53.8	53.8
36	Reappropriations	0.0	70.8	70.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
37	**Total Estimated Expenditures**	**30,705.9**	**934.9**	**31,640.8**	**30,666.4**	**163.9**	**30,830.3**	**31,359.2**	**133.5**	**31,492.7**	**31,636.4**	**94.0**	**31,730.4**
38	Reserves				0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0
39	**Ending Balance**	**(30.5)**	**1,459.4**	**1,428.9**	**1,285.1**	**639.5**	**1,924.6**	**1,860.8**	**2,170.6**	**4,031.4**	**2,818.2**	**4,321.9**	**7,140.1**

Tier 2 Table – Critical Needs and Other High Priority Needs

LONG-RANGE FINANCIAL OUTLOOK

TIER 2 ISSUES - CRITICAL NEEDS AND OTHER HIGH PRIORITY NEEDS

GENERAL REVENUE FUNDS AVAILABLE PROJECTION

($ MILLIONS)

		Fiscal Year 2017-18			Fiscal Year 2018-19			Fiscal Year 2019-20			Fiscal Year 2020-21		
		Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
1	**Funds Available:**												
2	Balance Forward	0.0	1,363.9	1,363.9	0.0	1,428.9	1,428.9	0.0	0.0	0.0	0.0	0.0	0.0
3	Unused Reserve from Prior Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0
4	*General Revenue Outlook Statement Components*												
5	Revenue Estimate	30,649.4	276.6	30,926.0	31,925.2	276.2	32,201.4	33,193.7	281.2	33,474.9	34,428.3	286.2	34,714.5
6	BP Settlement Agreement	26.7	(26.7)	0.0	26.7	0.0	26.7	26.7	0.0	26.7	26.7	0.0	26.7
7	Release of Indian Gaming Reserve	0.0	226.8	226.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8	Non-operating Funds and Authorized Trust Fund Transfers	(0.7)	553.7	553.0	(0.4)	98.3	97.9	(0.4)	98.3	97.9	(0.4)	98.3	97.9
9	*Revenue Adjustments to the General Revenue Fund*												
10	Continuing Tax and Fee Changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11	Recurring Impact of Prior Years' Tax and Fee Changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12	Time-Limited Tax and Fee Changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
13	Trust Fund Transfers (GAA)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14	**Total Funds Available**	**30,675.4**	**2,394.3**	**33,069.7**	**31,951.5**	**1,803.4**	**33,754.9**	**33,220.0**	**1,379.5**	**34,599.5**	**34,454.6**	**1,384.5**	**35,839.1**
15													
16	**Estimated Expenditures:**												
17	Recurring Base Budget (Including Annualizations)				30,744.3	0.0	30,744.3	30,744.3	0.0	30,744.3	30,744.3	0.0	30,744.3
18	Recurring Impact of Prior Years' New Issues				0.0	0.0	0.0	1,331.1	0.0	1,331.1	3,339.8	0.0	3,339.8
19													
20	**New Issues by GAA Section:**												
21	Section 2 - Pre K-12 Education	12,180.4	(46.5)	12,133.9	651.5	0.0	651.5	670.6	0.0	670.6	608.2	0.0	608.2
22	Section 2 - Higher Education	4,415.7	70.5	4,486.2	87.4	0.0	87.4	366.8	0.0	366.8	229.7	0.0	229.7
23	Section 2 - Education Fixed Capital Outlay	0.0	139.8	139.8	0.0	100.2	100.2	0.0	65.9	65.9	0.0	56.9	56.9
24	Section 3 - Human Services	9,277.1	125.9	9,403.0	383.1	68.1	451.2	683.0	79.3	762.3	466.4	79.3	545.7
25	Section 4 - Criminal Justice	3,616.3	58.3	3,674.6	32.9	4.4	37.3	29.6	0.5	30.1	28.1	0.2	28.3
26	Section 7 - Judicial Branch	414.7	7.7	422.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
27	Section 5 & 6 - Transportation & Economic Development	61.1	126.2	187.3	0.0	192.1	192.1	0.0	158.3	158.3	0.0	135.4	135.4
28	Section 5 - Natural Resources	139.9	221.9	361.8	0.8	234.2	235.0	0.8	234.0	234.8	0.8	234.4	235.2
29	Section 6 - General Government	233.7	51.6	285.3	0.2	60.6	60.8	8.1	98.3	106.4	11.6	65.0	76.6
30	Section 2 & 6 - Administered Funds - Statewide Issues	367.0	47.0	414.0	175.2	69.9	245.1	249.8	33.5	283.3	279.7	33.0	312.7
31	**Total New Issues**				1,331.1	729.5	2,060.6	2,008.7	669.8	2,678.5	1,624.5	604.2	2,228.7
32													
33	Approved Budget Amendments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
34	Current Year Estimating Conference Operating Deficits	0.0	29.6	29.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
35	Transfer to Budget Stabilization Fund	0.0	32.1	32.1	0.0	68.2	68.2	0.0	72.9	72.9	0.0	53.8	53.8
36	Reappropriations	0.0	70.8	70.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
37	**Total Estimated Expenditures**	**30,705.9**	**934.9**	**31,640.8**	**32,075.4**	**797.7**	**32,873.1**	**34,084.1**	**742.7**	**34,826.8**	**35,708.6**	**658.0**	**36,366.6**
38	Reserves				0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0
39	**Ending Balance**	**(30.5)**	**1,459.4**	**1,428.9**	**(123.9)**	**5.7**	**(118.2)**	**(864.1)**	**(363.2)**	**(1,227.3)**	**(1,254.0)**	**(273.5)**	**(1,527.5)**

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

LONG-RANGE FINANCIAL OUTLOOK

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

GENERAL REVENUE FUNDS AVAILABLE PROJECTION

($ MILLIONS)

	Fiscal Year 2017-18			Fiscal Year 2018-19			Fiscal Year 2019-20			Fiscal Year 2020-21		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
1 **Funds Available:**												
2 Balance Forward	0.0	1,363.9	1,363.9	0.0	1,428.9	1,428.9	0.0	52.0	52.0	0.0	0.0	0.0
3 Unused Reserve from Prior Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0
4 *General Revenue Outlook Statement Components*												
5 Revenue Estimate	30,649.4	276.6	30,926.0	31,925.2	276.2	32,201.4	33,193.7	281.2	33,474.9	34,428.3	286.2	34,714.5
6 BP Settlement Agreement	26.7	(26.7)	0.0	26.7	0.0	26.7	26.7	0.0	26.7	26.7	0.0	26.7
7 Release of Indian Gaming Reserve	0.0	226.8	226.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8 Non-operating Funds and Authorized Trust Fund Transfers	(0.7)	553.7	553.0	(0.4)	98.3	97.9	(0.4)	98.3	97.9	(0.4)	98.3	97.9
9 *Revenue Adjustments to the General Revenue Fund*												
10 Continuing Tax and Fee Changes	0.0	0.0	0.0	(141.1)	51.6	(89.5)	(141.1)	51.6	(89.5)	(141.1)	51.6	(89.5)
11 Recurring Impact of Prior Years' Tax and Fee Changes	0.0	0.0	0.0	0.0	0.0	0.0	(141.1)	0.0	(141.1)	(282.3)	0.0	(282.3)
12 Time-Limited Tax and Fee Changes	0.0	0.0	0.0	0.0	(63.9)	(63.9)	0.0	(63.9)	(63.9)	0.0	(63.9)	(63.9)
13 Trust Fund Transfers (GAA)	0.0	0.0	0.0	0.0	323.6	323.6	0.0	323.6	323.6	0.0	323.6	323.6
14 **Total Funds Available**	**30,675.4**	**2,394.3**	**33,069.7**	**31,810.4**	**2,114.7**	**33,925.1**	**32,937.8**	**1,742.8**	**34,680.6**	**34,031.2**	**1,695.8**	**35,727.0**
15												
16 **Estimated Expenditures:**												
17 Recurring Base Budget (Including Annualizations)				30,744.3	0.0	30,744.3	30,744.3	0.0	30,744.3	30,744.3	0.0	30,744.3
18 Recurring Impact of Prior Years' New Issues				0.0	0.0	0.0	1,331.1	0.0	1,331.1	3,339.8	0.0	3,339.8
19												
20 **New Issues by GAA Section:**												
21 Section 2 - Pre K-12 Education	12,180.4	(46.5)	12,133.9	651.5	0.0	651.5	670.6	0.0	670.6	608.2	0.0	608.2
22 Section 2 - Higher Education	4,415.7	70.5	4,486.2	87.4	0.0	87.4	366.8	0.0	366.8	229.7	0.0	229.7
23 Section 2 - Education Fixed Capital Outlay	0.0	139.8	139.8	0.0	100.2	100.2	0.0	65.9	65.9	0.0	56.9	56.9
24 Section 3 - Human Services	9,277.1	125.9	9,403.0	383.1	68.1	451.2	683.0	79.3	762.3	466.4	79.3	545.7
25 Section 4 - Criminal Justice	3,616.3	58.3	3,674.6	32.9	4.4	37.3	29.6	0.5	30.1	28.1	0.2	28.3
26 Section 7 - Judicial Branch	414.7	7.7	422.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
27 Section 5 & 6 - Transportation & Economic Development	61.1	126.2	187.3	0.0	192.1	192.1	0.0	158.3	158.3	0.0	135.4	135.4
28 Section 5 - Natural Resources	139.9	221.9	361.8	0.8	234.2	235.0	0.8	234.0	234.8	0.8	234.4	235.2
29 Section 6 - General Government	233.7	51.6	285.3	0.2	60.6	60.8	8.1	98.3	106.4	11.6	65.0	76.6
30 Section 2 & 6 - Administered Funds - Statewide Issues	367.0	47.0	414.0	175.2	69.9	245.1	249.8	33.5	283.3	279.7	33.0	312.7
31 **Total New Issues**				1,331.1	729.5	2,060.6	2,008.7	669.8	2,678.5	1,624.5	604.2	2,228.7
32												
33 Approved Budget Amendments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
34 Current Year Estimating Conference Operating Deficits	0.0	29.6	29.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
35 Transfer to Budget Stabilization Fund	0.0	32.1	32.1	0.0	68.2	68.2	0.0	72.9	72.9	0.0	53.8	53.8
36 Reappropriations	0.0	70.8	70.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
37 **Total Estimated Expenditures**	**30,705.9**	**934.9**	**31,640.8**	**32,075.4**	**797.7**	**32,873.1**	**34,084.1**	**742.7**	**34,826.8**	**35,708.6**	**658.0**	**36,366.6**
38 Reserves				0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0
39 **Ending Balance**	**(30.5)**	**1,459.4**	**1,428.9**	**(265.0)**	**317.0**	**52.0**	**(1,146.3)**	**0.1**	**(1,146.2)**	**(1,677.4)**	**37.8**	**(1,639.6)**

Summary of Major Trust Funds

EDUCATIONAL ENHANCEMENT TRUST FUND ($ MILLIONS)

	Fiscal Year 2017-18			Fiscal Year 2018-19			Fiscal Year 2019-20			Fiscal Year 2020-21		
Funds Available:	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Balance Forward	0.0	347.2	347.2	0.0	250.8	250.8	0.0	60.1	60.1	0.0	59.8	59.8
Revenue Estimate	1,878.1	10.1	1,888.2	1,934.8	0.0	1,934.8	1,927.0	0.0	1,927.0	1,955.2	0.0	1,955.2
Non-operating 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	**1,878.1**	**357.3**	**2,235.4**	**1,934.8**	**250.8**	**2,185.6**	**1,927.0**	**60.1**	**1,987.1**	**1,955.2**	**59.8**	**2,015.0**
Estimated Expenditures:												
Base Budget				1,777.7	0.0	1,777.7	2,125.5	0.0	2,125.5	1,927.3	0.0	1,927.3
Increase/Decrease				347.8	0.0	347.8	(198.2)	0.0	(198.2)	27.1	0.0	27.1
Total Estimated Expenditures	**1,777.7**	**206.9**	**1,984.6**	**2,125.5**	**0.0**	**2,125.5**	**1,927.3**	**0.0**	**1,927.3**	**1,954.4**	**0.0**	**1,954.4**
Ending Balance	**100.4**	**150.4**	**250.8**	**(190.7)**	**250.8**	**60.1**	**(0.3)**	**60.1**	**59.8**	**0.8**	**59.8**	**60.6**

STATE SCHOOL TRUST FUND ($ MILLIONS)

	Fiscal Year 2017-18			Fiscal Year 2018-19			Fiscal Year 2019-20			Fiscal Year 2020-21		
Funds Available:	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Balance Forward	0.0	2.4	2.4	0.0	0.0	0.0	0.0	3.7	3.7	0.0	3.4	3.4
Revenue Estimate	110.2	13.0	123.2	118.8	0.0	118.8	109.0	0.0	109.0	122.4	0.0	122.4
Non-operating Funds	1.7	0.0	1.7	1.7	0.0	1.7	1.7	0.0	1.7	1.7	0.0	1.7
Total Funds Available	**111.9**	**15.4**	**127.3**	**120.5**	**0.0**	**120.5**	**110.7**	**3.7**	**114.4**	**124.1**	**3.4**	**127.5**
Estimated Expenditures:												
Base Budget				146.3	0.0	146.3	116.8	0.0	116.8	111.0	0.0	111.0
Increase/Decrease				(29.5)	0.0	(29.5)	(5.8)	0.0	(5.8)	12.7	0.0	12.7
Total Estimated Expenditures	**146.3**	**10.3**	**156.6**	**116.8**	**0.0**	**116.8**	**111.0**	**0.0**	**111.0**	**123.7**	**0.0**	**123.7**
Ending Balance	**(34.4)**	**5.1**	**(29.3)**	**3.7**	**0.0**	**3.7**	**(0.3)**	**3.7**	**3.4**	**0.4**	**3.4**	**3.8**

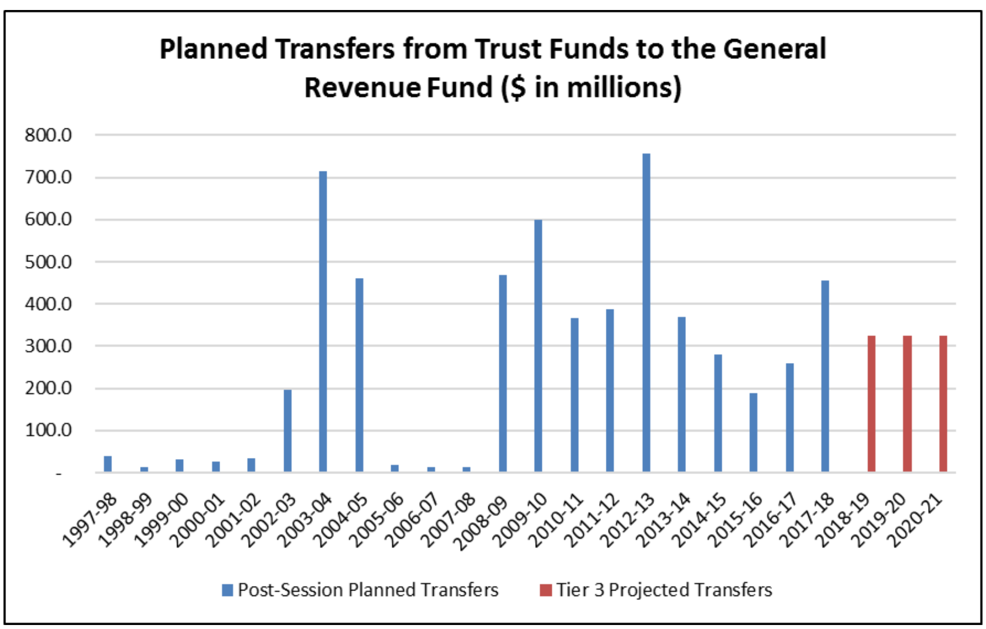
TOBACCO SETTLEMENT TRUST FUND ($ MILLIONS)

	Fiscal Year 2017-18			Fiscal Year 2018-19			Fiscal Year 2019-20			Fiscal Year 2020-21		
Funds Available:	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Balance Forward	0.0	19.6	19.6	0.0	25.4	25.4	0.0	11.5	11.5	0.0	11.6	11.6
Revenue Estimate	368.3	0.0	368.3	371.4	0.0	371.4	375.5	0.0	375.5	380.2	0.0	380.2
Non-operating Funds	5.6	0.0	5.6	6.1	0.0	6.1	6.6	0.0	6.6	7.1	0.0	7.1
Total Funds Available	**373.9**	**19.6**	**393.5**	**377.5**	**25.4**	**402.9**	**382.1**	**11.5**	**393.6**	**387.3**	**11.6**	**398.9**
Estimated Expenditures:												
Base Budget				368.1	0.0	368.1	377.6	0.0	377.6	382.0	0.0	382.0
Increase/Decrease				9.5	13.8	23.3	4.4	0.0	4.4	5.2	0.0	5.2
Total Estimated Expenditures	**368.1**	**0.0**	**368.1**	**377.6**	**13.8**	**391.4**	**382.0**	**0.0**	**382.0**	**387.2**	**0.0**	**387.2**
Ending Balance	**5.8**	**19.6**	**25.4**	**(0.1)**	**11.6**	**11.5**	**0.1**	**11.5**	**11.6**	**0.1**	**11.6**	**11.7**

Fiscal Strategies

The Tier 1, Tier 2, and Tier 3 tables shown on pages 20, 21, and 22 of the Long-Range Financial Outlook simply summarize the information contained and discussed within the rest of the Outlook document. In essence, each Tier presents a prognosis of the state's financial situation as a result of that scenario. As such, none of the Tiers purport to show the specific details of the final budget that the Legislature will ultimately pass in any given year. However, they do illuminate several issues facing the Legislature in the upcoming years since the levels are reasonable approximations of total expected spending under current law and administration.

The first issue has to do with the importance of shoring up the projections that currently exist. As discussed, the Outlook's results for all three years depend greatly on the Indian Gaming revenue changes and the heightened level of future trust fund transfers. If either of these assumptions fails to come to pass, the current results will significantly deteriorate. In this regard, the Settlement Agreement and Stipulation entered into between the Seminole Tribe of Florida and the State of Florida in July 2017 requires that "...the state takes aggressive enforcement action against the continued operation of banked card games, including Designated Player Games that are operated in a banked game manner..." Assuming that this happens, the Revenue Estimating Conference recognized all revenue share payments associated with banked card game activity. However, the Conference lacked sufficient certainty to make any of the payments recurring and converted the entire future stream of annual payments to nonrecurring dollars. In addition, the heightened level of expected trust fund transfers may necessitate future budget reductions in the affected trust-funded programs in order to achieve this result. The following chart shows the historical planned transfers as reflected on each budget year's Post-Session General Revenue Outlook. The projected transfers of $323.6 million included in this Outlook exceed the long-range average transfer amount of $271.1 million.



The second issue addresses the recurring problem that remains from last year. Although the projected bottom line result for the Fiscal Year 2018-19 Tier 3 scenario is slightly positive, the projections for the Tier 2 and Tier 3 scenarios both show recurring expenditures that outstrip the available recurring funds, indicating that a structural imbalance is occurring. Since the increase in projected recurring expenditures and negative revenue adjustments[1] in Fiscal Year 2018-19 clearly contributes to and worsens the problems in Fiscal Year 2019-20 and Fiscal Year 2020-21, fiscal strategies are advisable for all three years of the Outlook to manage the problems in the out-years.

To meet the constitutional requirements for this document, appropriate strategies are required to be both identified and discussed. When budget gaps between revenues and expenditures occurred in the first four years of the published Outlooks, each of the three years of the plan was affected, and they displayed negatives of similar magnitude. This had the practical effect of limiting the number of potential strategies because any strategy deployed to cure the problem in the first year had ripple effects throughout the remaining years of the plan. In those instances, the strategies were discretely identified and laid out. In this case—like last year—only the two outer years reveal actual shortfalls. This necessitates a different treatment because the number of possible permutations is too great to allow specific identification of each one. Among the many variables that should be considered is the timing of the corrective action. While a fiscal strategy is required no later than Fiscal Year 2019-20 to address the projected gap between revenues and expenditures, less disruptive courses of action would argue for at least some level of deployment beginning in Fiscal Year 2018-19. Otherwise, there is the potential to increase funding for programs in Year 1 that would not survive Year 2.

Conceptually, there are five options to eliminate a proposed budget gap in any given year of the Outlook. With the exception of trust fund transfers or sweeps and reserve reductions, these options can be deployed on either a recurring or nonrecurring basis. When they are used to bring about a recurring change, they also have an impact on the following fiscal years.

- Budget Reductions and Reduced Program Growth
- Reduction or Elimination of the Revenue Adjustments Affecting Taxes and Fees in Tier 3
- Revenue Enhancements and Redirections
- Trust Fund Transfers or Sweeps
- Reserve Reductions

While the level of the state's total reserves[2] could be reduced, the problem in this case is that the recurring General Revenue demands exceed the amount of recurring General Revenue available in all three years for Tiers 2 and 3. This recurring problem cannot be fixed by a simple reduction in the level of total reserves since a reserve can only be spent one time; once the reserve has been

[1] Revenue adjustments only exist in Tier 3.

[2] The term "total reserves" refers to the combined dollar total of Unallocated General Revenue, the Budget Stabilization Fund, and the Lawton Chiles Endowment Fund. See the discussion entitled "Key Aspects of State Reserves" beginning on page 9. For the purpose of this paragraph, if the total reserve percentage of 11.5 percent of General Revenue collections in Fiscal Year 2017-18 were reduced to the 10.7 percent level used in Fiscal Year 2011-12, $253.4 million of Unallocated General Revenue could be redirected to other purposes in Fiscal Year 2017-18.

spent, it is gone. Further, by law, the Budget Stabilization Fund (BSF) cannot be used to address a budget gap prospectively and, therefore, is not available at the time the budget is developed and adopted. It can only be accessed when revenues fall below actual appropriations within a fiscal year.

Trust fund transfers or sweeps operate similarly to a drawdown of reserves. Once the money has been spent, it is not automatically replenished. Since Tier 3 already contemplates $323.6 million in transfers each year, transfers above this heightened level would have to be identified to have any effect on Tier 3's bottom line.

Since the effectiveness of trust fund transfers and reserve reductions is limited to closing a gap in a particular year and, as such, do not solve the recurring problem, the three remaining options will become the basis of the more meaningful strategies: (1) budget reductions and reduced program growth; (2) reduction or elimination of the revenue adjustments affecting taxes and fees in Tier 3; and (3) revenue enhancements and redirections. For the purpose of this discussion, (1) and (2) above are assumed to produce the same bottom-line results, although (1) achieves this effect through expenditures and (2) achieves it through revenues. Since the Legislature has undertaken no significant revenue enhancements and only limited redirections over the past three years, the likely path of this option is not clear. Enhancements and redirections both affect revenues and the ability to make expenditures, but the consequences are different. At a minimum, revenue redirections require foregone expenditures elsewhere in the budget.

Only one scenario related to the overall timing of the strategies is explored below. It takes full advantage of the upcoming Session to improve the outlook for the two subsequent years. Other scenarios that focus on the second year are also feasible, but to the extent the corrective actions are delayed, they will result in a more intense and concentrated effort to produce the required savings in Fiscal Year 2019-20. At the extreme edge of this subset of options would be a total delay of corrective actions until Year 2 (Fiscal Year 2019-20) which results in the need to clear the projected shortfalls of $1.23 billion or $1.15 billion, depending on the selected Tier. The splits between recurring and nonrecurring are shown below:

FY 2019-20 Projected Ending Balances			
	Recurring	*Nonrecurring*	*Total*
Tier 2	(864.1)	(363.2)	(1,227.3)
Tier 3	(1,146.3)	0.1	(1,146.2)

Depending on the specific strategy selected by the Legislature, there may be a greater than one-to-one impact on subsequent years. For example, a budget reduction in Year 1 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 redirections will likely have different impacts in subsequent years. Because this document does not address specific details of the strategies, the scenario below does not attempt to treat these vagaries. This means that actual legislative actions may have different results from those shown here.

The timing scenario discussed below addresses the projected shortfalls shown in Tier 3. Tier 2 adjustments would be similar, but of lesser recurring amounts, since the decision to forego future revenue adjustments is inherent in that Tier.

- A -

TIMING SCENARIO "A" assumes that the Legislature chooses to clear the projected budget shortfalls in both Fiscal Year 2019-20 and Fiscal Year 2020-21 by beginning action in the first year and using an equal adjustment level in each of the three years to smooth the transition between years.

- Equal annual adjustments are made to completely eliminate the projected *recurring* and *nonrecurring* shortfalls by the end of the plan's third year (Fiscal Year 2020-21). These annual adjustments are equal to approximately $369.5 million per year (a reduction of $559.1 million recurring with a conversion of $189.6 million to nonrecurring).
- While displayed as one line (shown in red on row 39 of the table) in the Estimated Expenditures section of the accompanying worksheet, the adjustments could be in the form of (1) budget reductions and reduced program growth, or (2) a combination of (1) and a reduction or elimination of the revenue adjustments affecting taxes and fees in Tier 3.
- The smoothed approach in this scenario produces the least disruptive pattern of all likely options to clear the identified problems within the three-year period.

FY 2018-19 Adjustment and Revised Ending Balance			
	Recurring	*Nonrecurring*	*Total*
Adj	(559.1)	189.6	(369.5)
End Bal	294.1	127.4	421.5

FY 2019-20 Adjustment and Revised Ending Balance			
	Recurring	*Nonrecurring*	*Total*
Adj	(559.1)	189.6	(369.5)
End Bal	(28.1)	180.0	151.9

FY 2020-21 Adjustment and Revised Ending Balance			
	Recurring	*Nonrecurring*	*Total*
Adj	(559.2)	189.7	(369.5)
End Bal	0.0	0.0	0.0

Timing Scenario "A" implies that only Critical Needs issues could be *fully* funded, thereby eliminating a significant portion of the available funds for the identified Other High Priorities.

Fiscal Strategies Worksheet

Timing Scenario A - Clear Budget Shortfalls in Both Fiscal Years 2019-20 and 2020-21 by Taking Smoothed Actions Over Three Years

LONG-RANGE FINANCIAL OUTLOOK

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

GENERAL REVENUE FUNDS AVAILABLE PROJECTION

($ MILLIONS)

		Fiscal Year 2017-18			Fiscal Year 2018-19			Fiscal Year 2019-20			Fiscal Year 2020-21		
		Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
1	**Funds Available:**												
2	Balance Forward	0.0	1,363.9	1,363.9	0.0	1,428.9	1,428.9	0.0	421.5	421.5	0.0	151.9	151.9
3	Unused Reserve from Prior Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0
4	*General Revenue Outlook Statement Components*												
5	Revenue Estimate	30,649.4	276.6	30,926.0	31,925.2	276.2	32,201.4	33,193.7	281.2	33,474.9	34,428.3	286.2	34,714.5
6	BP Settlement Agreement	26.7	(26.7)	0.0	26.7	0.0	26.7	26.7	0.0	26.7	26.7	0.0	26.7
7	Release of Indian Gaming Reserve	0.0	226.8	226.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8	Non-operating Funds and Authorized Trust Fund Transfers	(0.7)	553.7	553.0	(0.4)	98.3	97.9	(0.4)	98.3	97.9	(0.4)	98.3	97.9
9	*Revenue Adjustments to the General Revenue Fund*												
10	Continuing Tax and Fee Changes	0.0	0.0	0.0	(141.1)	51.6	(89.5)	(141.1)	51.6	(89.5)	(141.1)	51.6	(89.5)
11	Recurring Impact of Prior Years' Tax and Fee Changes	0.0	0.0	0.0	0.0	0.0	0.0	(141.1)	0.0	(141.1)	(282.3)	0.0	(282.3)
12	Time-Limited Tax and Fee Changes	0.0	0.0	0.0	0.0	(63.9)	(63.9)	0.0	(63.9)	(63.9)	0.0	(63.9)	(63.9)
13	Trust Fund Transfers (GAA)	0.0	0.0	0.0	0.0	323.6	323.6	0.0	323.6	323.6	0.0	323.6	323.6
14	**Total Funds Available**	**30,675.4**	**2,394.3**	**33,069.7**	**31,810.4**	**2,114.7**	**33,925.1**	**32,937.8**	**2,112.3**	**35,050.1**	**34,031.2**	**1,847.7**	**35,878.9**
15													
16	**Estimated Expenditures:**												
17	Recurring Base Budget (Including Annualizations)				30,744.3	0.0	30,744.3	30,744.3	0.0	30,744.3	30,744.3	0.0	30,744.3
18	Recurring Impact of Prior Years' New Issues				0.0	0.0	0.0	772.0	0.0	772.0	2,221.6	0.0	2,221.6
19													
20	**New Issues by GAA Section:**												
21	Section 2 - Pre K-12 Education	12,180.4	(46.5)	12,133.9	651.5	0.0	651.5	670.6	0.0	670.6	608.2	0.0	608.2
22	Section 2 - Higher Education	4,415.7	70.5	4,486.2	87.4	0.0	87.4	366.8	0.0	366.8	229.7	0.0	229.7
23	Section 2 - Education Fixed Capital Outlay	0.0	139.8	139.8	0.0	100.2	100.2	0.0	65.9	65.9	0.0	56.9	56.9
24	Section 3 - Human Services	9,277.1	125.9	9,403.0	383.1	68.1	451.2	683.0	79.3	762.3	466.4	79.3	545.7
25	Section 4 - Criminal Justice	3,616.3	58.3	3,674.6	32.9	4.4	37.3	29.6	0.5	30.1	28.1	0.2	28.3
26	Section 7 - Judicial Branch	414.7	7.7	422.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
27	Section 5 & 6 - Transportation & Economic Development	61.1	126.2	187.3	0.0	192.1	192.1	0.0	158.3	158.3	0.0	135.4	135.4
28	Section 5 - Natural Resources	139.9	221.9	361.8	0.8	234.2	235.0	0.8	234.0	234.8	0.8	234.4	235.2
29	Section 6 - General Government	233.7	51.6	285.3	0.2	60.6	60.8	8.1	98.3	106.4	11.6	65.0	76.6
30	Section 2 & 6 - Administered Funds - Statewide Issues	367.0	47.0	414.0	175.2	69.9	245.1	249.8	33.5	283.3	279.7	33.0	312.7
31	**Total New Issues**				1,331.1	729.5	2,060.6	2,008.7	669.8	2,678.5	1,624.5	604.2	2,228.7
32													
33	Approved Budget Amendments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
34	Current Year Estimating Conference Operating Deficits	0.0	29.6	29.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
35	Transfer to Budget Stabilization Fund	0.0	32.1	32.1	0.0	68.2	68.2	0.0	72.9	72.9	0.0	53.8	53.8
36	Reappropriations	0.0	70.8	70.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
37	**Total Estimated Expenditures**	**30,705.9**	**934.9**	**31,640.8**	**32,075.4**	**797.7**	**32,873.1**	**33,525.0**	**742.7**	**34,267.7**	**34,590.4**	**658.0**	**35,248.4**
38													
39	**Adjustments to Balance**				**(559.1)**	**189.6**	**(369.5)**	**(559.1)**	**189.6**	**(369.5)**	**(559.2)**	**189.7**	**(369.5)**
40	Reserves				0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0
41	**Ending Balance**	**(30.5)**	**1,459.4**	**1,428.9**	**294.1**	**127.4**	**421.5**	**(28.1)**	**180.0**	**151.9**	**0.0**	**0.0**	**0.0**

Significant Risks to the Forecast

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

State Costs for Hurricanes, the Florida Hurricane Catastrophe Fund, and Citizens Property Insurance Corporation

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

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

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

In addition to the budgetary and revenue effects associated with hurricanes, there is an impact on state debt. Besides the direct tax-supported or self-supported debt normally undertaken by the state, Florida has indirect debt that represents debt either secured by revenues not appropriated by the state or debt obligations of a legal entity other than the state. A major component of the state's current indirect debt is associated with the Florida Hurricane Catastrophe Fund (FHCF) and the Citizens Property Insurance Corporation's (Citizens) ability to cover possible future hurricane-related losses. According to the *2016 Debt Report* prepared by the Division of Bond Finance, these special purpose insurance entities comprised $5.9 billion or 50 percent of the state's total indirect debt on June 30, 2016. This particular debt consisted of pre-event financings to provide cash to pay potential losses incurred following a hurricane.

[SEE TABLE ON FOLLOWING PAGE]

Hurricanes: Economic Phases

Phase	Defining Characteristics	Statewide Economic Consequences

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

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

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

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

For the 2017 storm season, the FHCF’s maximum statutory obligation for mandatory coverage is no more than $17.0 billion. However, the FHCF’s obligation by law is limited to the actual claims-paying capacity. The FHCF currently projects liquidity of $18.6 billion, consisting of $14.9 billion in projected cash by December 31, 2017, $1.0 billion of reinsurance, and $2.7 billion in projected pre-event bonds. Given recent financial market conditions, it is estimated the FHCF would be able to bond for approximately $8.1 billion during the next 12 months if a large event occurs during the contract year. This estimated claims paying capacity is $9.7 billion above the total potential statutory maximum claims paying obligation of $17.0 billion.

The maximum statutory limit of coverage that could have been purchased by insurers for the 2017 contract year was approximately $17.0 billion. The $17.0 billion in capacity selected translates to an approximate 1-in-46 year event (2.0 percent probability) or an event that causes $28.7 billion in insurance industry residential losses for the 2017 season. Because of the differences in the levels of coverage and where those FHCF coverages begin, the FHCF’s probability of exhausting its $17.0 billion maximum limit would be much smaller, implying that the FHCF could survive a much larger event. In order for all insurance companies to exhaust the $17.0 billion maximum limit, the aggregate loss would have to be significantly larger than $17 billion.

For the 2017 storm season, Citizens’ probable maximum loss for a 100-year storm event is $6.4 billion. Citizens currently has claims paying ability of approximately $11.0 billion consisting of a cash surplus of $7.4 billion, as well as funds from private market reinsurance and FHCF reimbursements. In addition, Citizens has the ability to levy broad-based assessments to support debt financing.

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

<u>Disproportionate Share Hospital Program</u>

Medicaid Disproportionate Share Hospital (DSH) payments were established by the federal Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35) and are intended to provide additional reimbursement to hospitals serving disproportionate shares of Medicaid and uninsured individuals. While most federal Medicaid funding is provided on an open-ended basis, DSH allotments have been capped since 1993 and represent the maximum federal matching payments a state is permitted to claim. In Fiscal Year 2017-18, $310 million in DSH funding was appropriated by the Legislature with $219 million being Florida’s Federal DSH allotment and the balance being the required state matching funds.

The federal Patient Protection and Affordable Care Act of 2010 (PPACA) addressed DSH allotments, requiring the Secretary of the U.S. Department of Health and Human Services to develop a methodology to reduce the state allotments. The reductions were originally to have begun taking effect October 1, 2013, but were delayed by the Centers for Medicaid and Medicare Services (CMS) after the U.S. Supreme Court ruled in June 2012 that the federal government could not require states to expand Medicaid eligibility to include persons up to 138 percent of the federal poverty level, as was required in the PPACA. The CMS expects states that do not implement Medicaid expansion will have higher rates of uninsured and uncompensated care. Assuming this is the case, the reductions to the DSH allotments in the non-expanding states are required to be smaller than those for states that implement Medicaid expansion and have lower percentages of uninsured individuals.

The DSH reductions have been delayed several times, either by CMS or by changes in federal law. Most recently, the CMS has proposed a new rule to delineate the DSH Health Reform methodology (DHRM) that will be used to implement the annual Medicaid allotment reductions identified in section 1923(f)(7) of the Social Security Act. The proposed DHRM relies on statutorily identified factors to determine the state-specific DSH allotment reductions. The methodology imposes larger reductions on states that have lower percentages of uninsured individuals; states that do not target their DSH payments to hospitals with high volumes of Medicaid inpatients; and states that do not target their DSH payments to hospitals with high levels of uncompensated care. Additional reduction factors include whether a state is currently a low-DSH or high-DSH state, as well as the extent to which a state's DSH allotment was included in the budget neutrality calculation for Medicaid coverage expansion as of July 2009. The proposed rule also limits the reduction to be applied to each state to 90 percent of its original unreduced allotment. Any excess reduction amounts called for by the reduction factors will be redistributed to other states' reduction amounts that do not exceed the reduction cap. The aggregate reduction amounts are set to begin in Federal Fiscal Year 2018 and will run through Federal Fiscal Year 2025.

The rule proposed by CMS was published on July 28, 2017, and the public had until August 28, 2017, to submit comments on the proposed methodology. When the public comment period has concluded, CMS may make further changes to the proposed rule based on these comments. No adjustments have been included in the Outlook to reduce the DSH funding allocated to Florida because it is unknown how the proposed CMS rule will ultimately affect Florida, nor how the Legislature will respond to any loss of these federal funds.

Litigation Against the State

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

In addition, a summary of the claimed fiscal impact of significant litigation filed against the state is annually reported by the agencies in their legislative budget requests. Significant litigation includes cases where the amount claimed is more than $1.0 million and cases challenging significant statutory policies. In some cases, those summaries are based on the amount claimed by the plaintiffs, which is typically higher than the amount to which the plaintiffs would actually be entitled if they won.

Two areas of litigation warrant specific mention. First, cases seeking compensation for residential citrus trees removed under the former Citrus Canker Eradication Program in Broward, Lee, Palm Beach, and Orange counties referenced in the state’s 2016 CAFR could be fiscally material. The judgments for compensation and attorney’s fees for these cases are final. During the 2017 Session, the Legislature appropriated $20,941,328 for the Broward County judgments and $16,475,000 for the Lee County judgments. These appropriations were subsequently vetoed by the Governor. The homeowners in Broward and Lee counties filed a petition for writ of mandamus in the Florida Supreme Court seeking to invalidate the Governor’s line item veto of these appropriations. The Supreme Court denied the petition and remanded the cases to the trial courts for further litigation relating to the homeowners’ attempts to compel payment by the state. In Miami-Dade County, a liability trial took place in 2016 and on August 5, 2017, the trial judge issued an order finding that the Department of Agriculture and Consumers was not liable for the trees removed in that county.

Second, the Florida Department of Corrections is involved in various, though sometimes routine, legal actions. However, some of the current lawsuits dealing with mental health facilities and prisoners with the hepatitis C virus could have a significant fiscal impact depending upon the outcome of the legal proceedings. These proceedings are in various stages of the legal process and may be resolved within the Outlook period.

Potential Constitutional Issues

In 2004, a constitutional amendment passed that requires initiative petitions be filed with the Secretary of State by February 1 of each general election year in order to be eligible for ballot consideration. This has been interpreted to mean that all signatures have been certified by the local supervisors of election and that the other requirements for geographic distribution have been met by this date. For the 2018 ballot, the required number of valid signatures is 766,200.

Section 15.21, Florida Statutes, further requires the Secretary of State to “immediately submit an initiative petition to the Attorney General and to the Financial Impact Estimating Conference” once the certified forms “equal...10 percent of the number of electors statewide and in at least one-fourth of the congressional districts required by section 3, article XI of the State Constitution.” Once an initiative petition is received, the Financial Impact Estimating Conference (FIEC) has 45 days to complete an analysis and financial impact statement to be placed on the ballot (section 100.371, Florida Statutes).

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

At the time of this Outlook, the Legislature had approved two proposals for inclusion on the 2018 general election ballot.

Proposed Amendments for 2018 General Election Ballot:

Initiative Name	Ballot # and Description
LEGISLATIVE . . . INCREASED HOMESTEAD PROPERTY TAX EXEMPTION	**Ballot #1**: Proposing an amendment to the State Constitution to increase the homestead exemption by exempting the assessed valuation of homestead property greater than \$100,000 and up to \$125,000 for all levies other than school district levies. The amendment shall take effect January 1, 2019.
LEGISLATIVE . . . LIMITATIONS ON PROPERTY TAX ASSESSMENTS	**Ballot #2**: Proposing an amendment to the State Constitution to permanently retain provisions currently in effect, which limit property tax assessment increases on specified nonhomestead real property, except for school district taxes, to 10 percent each year. If approved, the amendment removes the scheduled repeal of such provisions in 2019 and shall take effect January 1, 2019.

Additionally, there are three petition initiatives that have been reviewed by the FIEC and approved by the Supreme Court for placement on the ballot. However, the initiatives have not yet gathered the required signatures for actual placement.

Potential Amendments for 2018 General Election Ballot (pending sufficient signatures):

Initiative Name	Description
PETITION INITIATIVE . . . LIMITS OR PREVENTS BARRIERS TO LOCAL SOLAR ELECTRICITY SUPPLY *Pending Required Number of Valid Signatures*	**Description**: Limits or prevents government and electric utility imposed barriers to supplying local solar electricity. Local solar electricity supply is the non utility supply of solar generated electricity from a facility rated up to 2 megawatts to customers at the same or contiguous property as the facility. Barriers include government regulation of local solar electricity suppliers' rates, service and territory, and unfavorable electric utility rates, charges, or terms of service imposed on local solar electricity customers. **FIEC Impact (5/7/2015)**: Based on current laws and administration, the amendment will result in decreased state and local government revenues overall. The timing and magnitude of these decreases cannot be determined because they are dependent on various technological and economic factors that cannot be predicted with certainty. State and local governments will incur additional costs, which will likely be minimal and partially offset by fees.
PETITION INITIATIVE . . . VOTER CONTROL OF GAMBLING IN FLORIDA *Pending Required Number of Valid Signatures*	**Description**: This amendment ensures that Florida voters shall have the exclusive right to decide whether to authorize casino gambling by requiring that in order for casino gambling to be authorized under Florida law, it must be approved by Florida voters pursuant to article XI, section 3 of the Florida Constitution. Affects articles X and XI. Defines casino gambling and clarifies that this amendment does not conflict with federal law regarding state/tribal compacts. **FIEC Impact (5/19/2016)**: The amendment's impact on state and local government revenues and costs, if any, cannot be determined at this time because of its unknown effect on gambling operations that have not been approved by voters through a constitutional amendment proposed by a citizens' initiative petition process.

Initiative Name	Description
PETITION INITIATIVE . . . VOTING RESTORATION AMENDMENT *Pending Required Number of Valid Signatures*	**Description**: This amendment restores the voting rights of Floridians with felony convictions after they complete all terms of their sentence including parole or probation. The amendment would not apply to those convicted of murder or sexual offenses, who would continue to be permanently barred from voting unless the Governor and Cabinet vote to restore their voting rights on a case by case basis. **FIEC Impact (10/28/2016)**: The precise effect of this amendment on state and local government costs cannot be determined, but the operation of current voter registration laws, combined with an increased number of felons registering to vote, will produce higher overall costs relative to the processes in place today. The impact, if any, on state and local government revenues cannot be determined. The fiscal impact of any future legislation that implements a different process cannot be reasonably determined.

The FIEC estimates for the petition initiatives were adopted in 2015 and 2016 and were based on the most recent information available at that time. If the constitutional amendments are adopted, the Legislature may have different information available to it at the time of implementation.

Florida Economic Outlook

> *The Florida Economic Estimating Conference met in July 2017 to revise the forecast for the state's economy. As further updated by the Legislative Office of Economic and Demographic Research, the latest baseline forecast shows little change from the assumptions made one year ago. Overall, Florida growth rates are returning to more typical levels and continue to show progress. The drags—particularly construction—are more persistent than past events, but the strength in tourism is largely compensating for this. In the various forecasts, normalcy was largely achieved by the end of Fiscal Year 2016-17.*

Beginning with Fiscal Year 2002-03 and running through Fiscal Year 2011-12, Florida was on an economic rollercoaster of extreme peaks and valleys. The recovery period from the collapse of the housing boom and the end of the Great Recession did not begin in earnest until Fiscal Year 2012-13, and—even now—some of the drags on Florida's economy are still ongoing. The reference periods used throughout this discussion are economically driven and centric to the Florida experience:

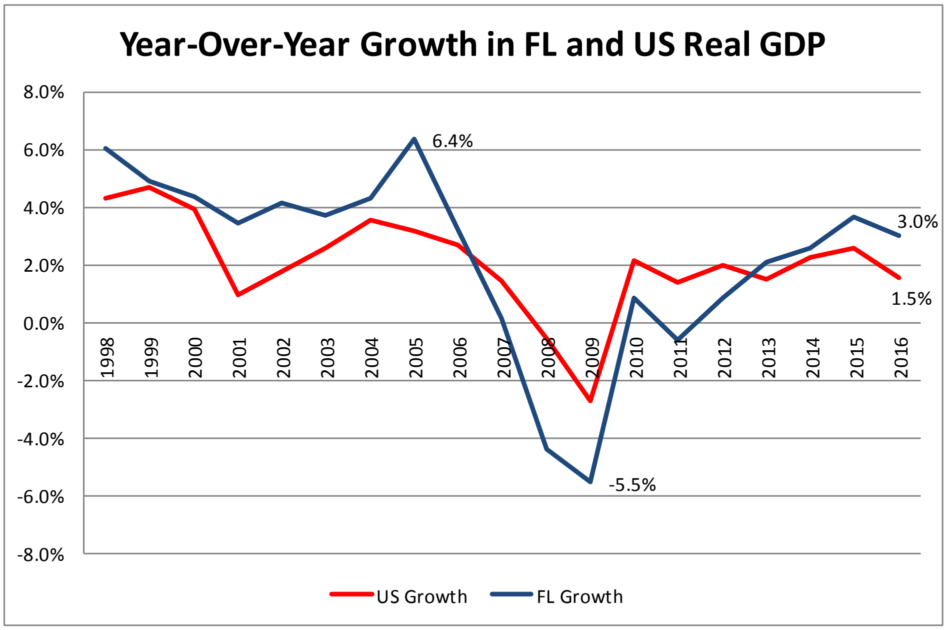
- Florida's Housing Boom...Fiscal Years 2002-03 through 2005-06
- Collapse of the Housing Boom...Fiscal Years 2006-07 and 2007-08
- Great Recession...Fiscal Years 2008-09 and 2009-10
- Fragile Growth...Fiscal Years 2010-11 and 2011-12
- Recovery Phase...Fiscal Years 2012-13 through 2015-16
- Return to Normalcy...Fiscal Years 2016-17 and beyond

As indicated above, most measures of the Florida economy had returned to or surpassed their prior peaks by the close of the 2016-17 fiscal year. In this regard, all of the personal income metrics, about half of the employment sectors, and total tourism counts had topped the levels last seen during the housing boom. Still other measures were posting solid year-over-year improvements, even if they were not yet back to peak performance levels. Looking across the 50 states, the three most-widely used indicators of government financial health illustrate the economic extremes the state faced to get to this point.

One economic measure for *comparing states* is the year-to-year change in real **State Gross Domestic Product** (that is, all goods and services produced or exchanged within a state). Using the latest data revisions of this measure, Florida was one of the nation's faster growing states from 2000 to 2006, outperforming the nation during that entire period and reaching its peak growth in 2005. With the end of the housing boom and the beginning of the real estate market correction in 2006 and 2007, the state slipped into five years of nearly flat or negative growth (2008 through 2012). While Florida was not the only state to experience a significant deceleration in economic growth prior to the Great Recession (California, Nevada, and Arizona showed similar housing market trends), it was one of the hardest hit.

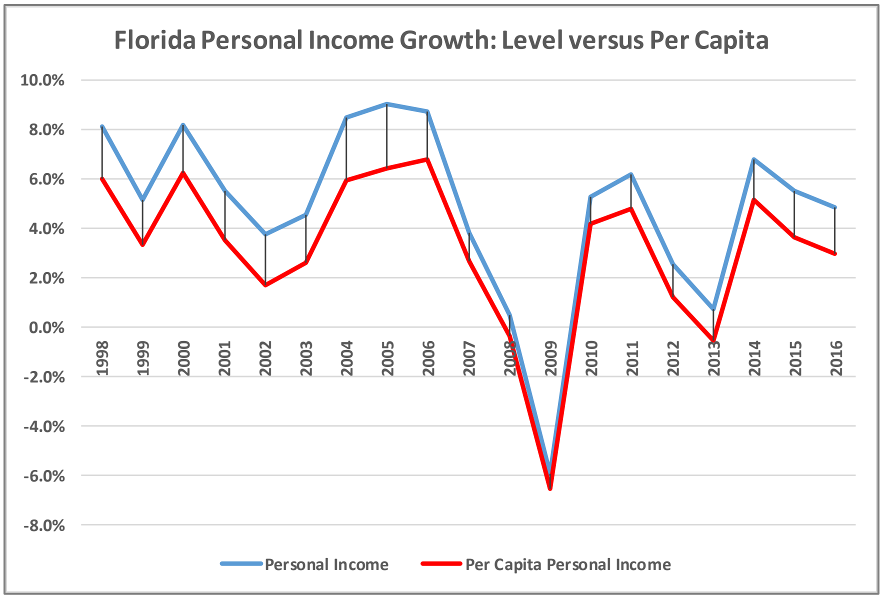
Florida's economy clearly regained its positive footing in 2013, registering 2.1 percent real growth over the prior year. Since then, that strength—especially relative to the nation as a whole—has continued to build. For the entirety of the 2016 calendar year, State Gross Domestic

Product (GDP) showed Florida with real growth of 3.0 percent, placing Florida above the national average (reported as 1.5 percent for 2016) for the fourth year in a row. However, in the first quarter of 2017, Florida grew just 1.4 percent over the prior quarter, ranking it 21st in the country. The Economic Estimating Conference projects that growth will average 2.2 percent per year for the 2017-18, 2018-19, 2019-20, and 2020-21 fiscal years.

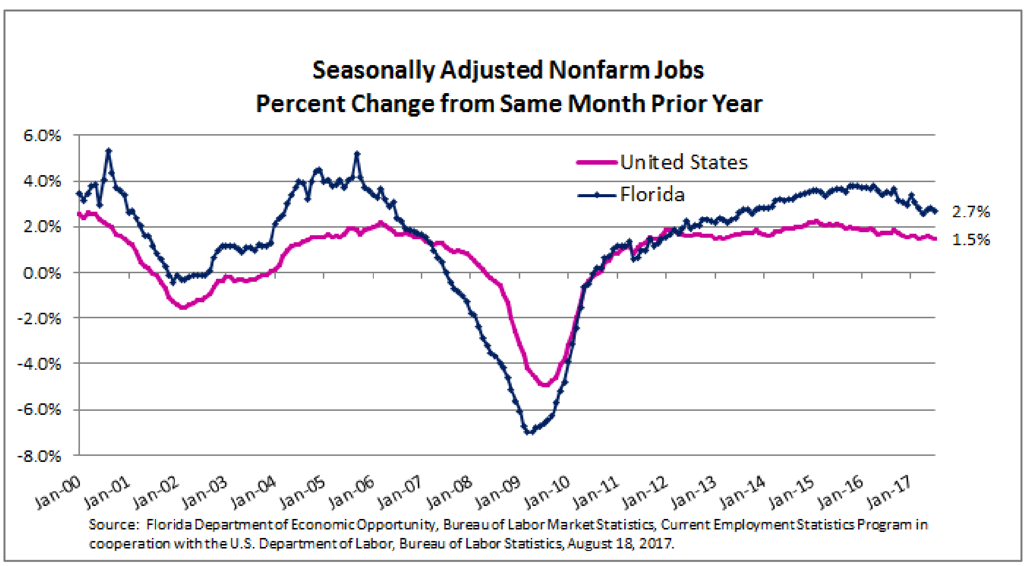


Other factors are frequently used to gauge the health of an *individual state*. The first of these measures is **personal income growth**—primarily related to changes in salaries and wages. Using the latest revised series, a history similar to the one shown by the GDP data emerges. In the latest data for the 2016 calendar year, Florida's growth showed continued strength relative to 2015, ranking the state 3rd in the country for personal income growth. Of particular note, Florida's growth rate of 4.9 percent over 2015 handily beat the 3.6 percent posted for the entire United States. However, Florida's per capita (population-adjusted) personal income continued to trail in performance, with a ranking of 27th in the country and growth virtually identical to the United States as a whole (US: 2.9 percent; FL: 3.0 percent). This polarization also exists in Nevada (#1) and Utah (#2), the two states ahead of Florida in overall personal income growth. Newly released data for the first quarter of 2017 indicated that Florida ranked 4th in the country with 1.3 percent growth in personal income over the prior quarter; however, per capita personal income growth for Florida simply matched the nation as a whole. The Economic Estimating Conference projects that personal income growth will average 5.0 percent per year for the 2017-18, 2018-19, 2019-20, and 2020-21 fiscal years.

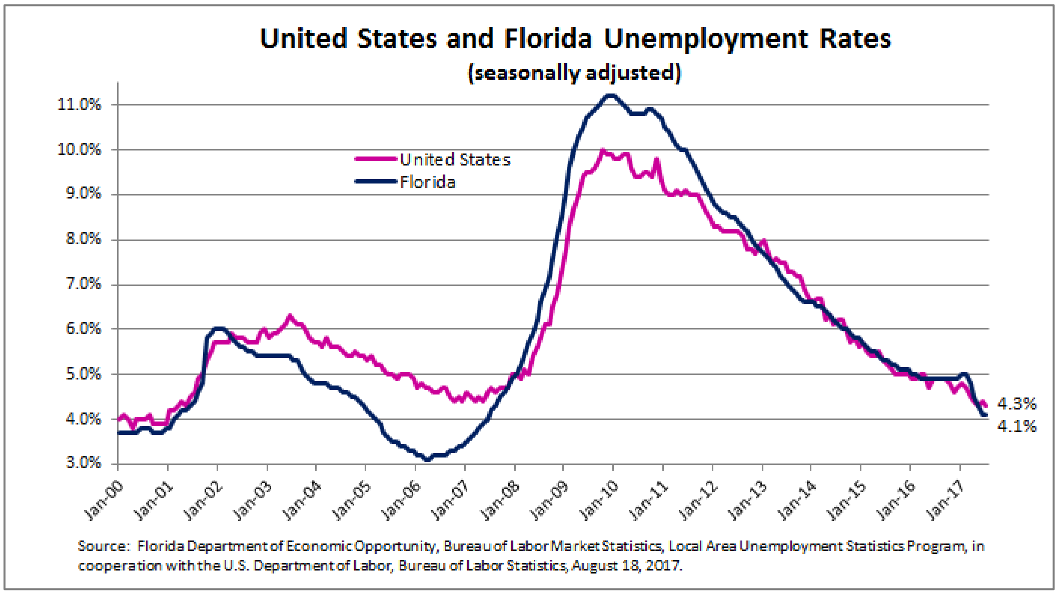
[SEE CHART ON FOLLOWING PAGE]



The key measures of **employment** are typically *job growth* and the *unemployment rate*. While Florida led the nation on the good-side of these measures during the boom, the state performed worse than the national averages on *both* measures from February 2008 until July 2010 when Florida lost jobs at a slower rate than the nation as a whole. In August 2010, Florida experienced its first over-the-year increase in jobs since June 2007. Seven years later (July 2017), Florida's annual job growth rate has been positive for the past 84 months. While the job market is still recovering in several key respects, the state passed its prior employment peak in May 2015.



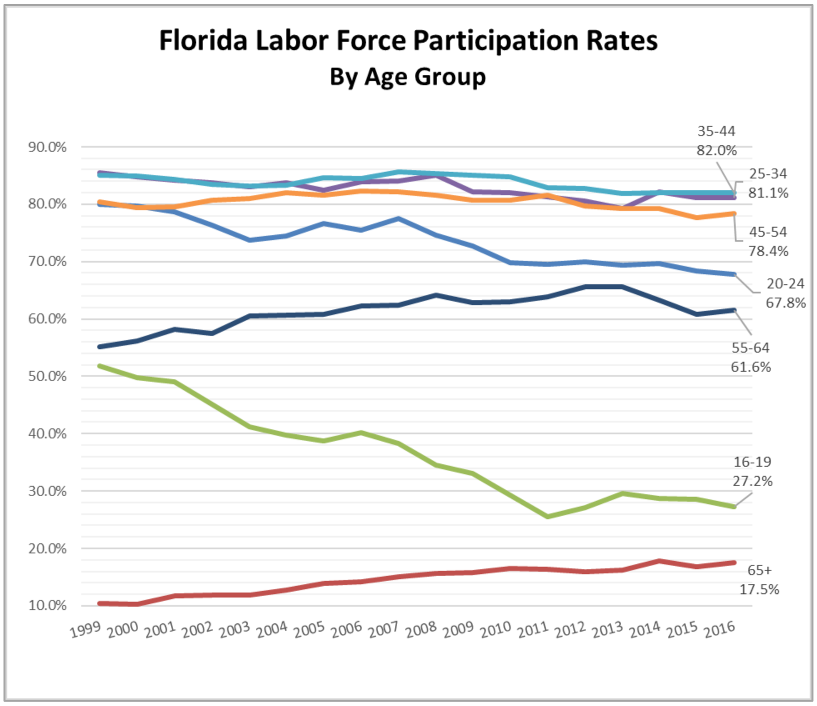
The state's unemployment rate in July was lower than the nation as a whole at 4.1 percent, with 411,000 jobless persons. To put this in context, the rate had been as low as 3.1 percent in both March and April 2006 (the lowest unemployment rate in more than thirty years), before peaking at 11.2 percent from November 2009 through January 2010. Currently, the Economic Estimating Conference assumes Florida is close to the "full employment" unemployment rate (about 4 percent).



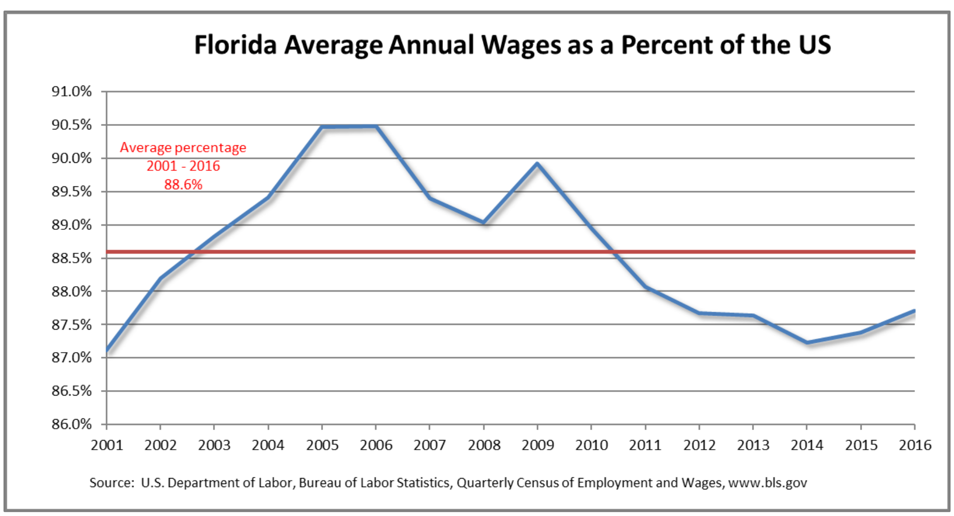
This achievement may not be as economically meaningful as it has been in the past. Florida's labor force participation rate is still relatively subdued, and it is clear that a higher participation rate would imply a higher unemployment rate, at least in the short run. Florida's labor force participation rate last peaked at 64.0 percent from November 2006 to March 2007. Since then it has dropped as low as 59.0 percent, the lowest level in 34 years. For the latest reading (July 2017), it was 59.7 percent; however, its movement has been erratic and some of the underlying metrics have been sending mixed signals. The significant size and composition of the long-term unemployed group (143,500 or 31.4 percent of all unemployed in July) may be confounding some of the trend results.

It is apparent that the composition of Florida's labor market has changed over the past decade. In the early 2000's, about 50 percent of young people aged 16-19 were either employed or looking for work. In 2016, that percentage had dropped to 27.2 percent. A similar trend is evident with those aged 20-24, with the percentage in the labor force sliding from around 80 percent to slightly below 70 percent. Together, the participation rate of the 16-24 year olds has fallen over the decade from comprising two-thirds of their joint population to about one-half. In contrast participation in the labor force by older workers (aged 55-64 and those aged 65 and over) has increased. Whether these labor market changes are permanent is not yet clear.

[SEE GRAPH ON FOLLOWING PAGE]



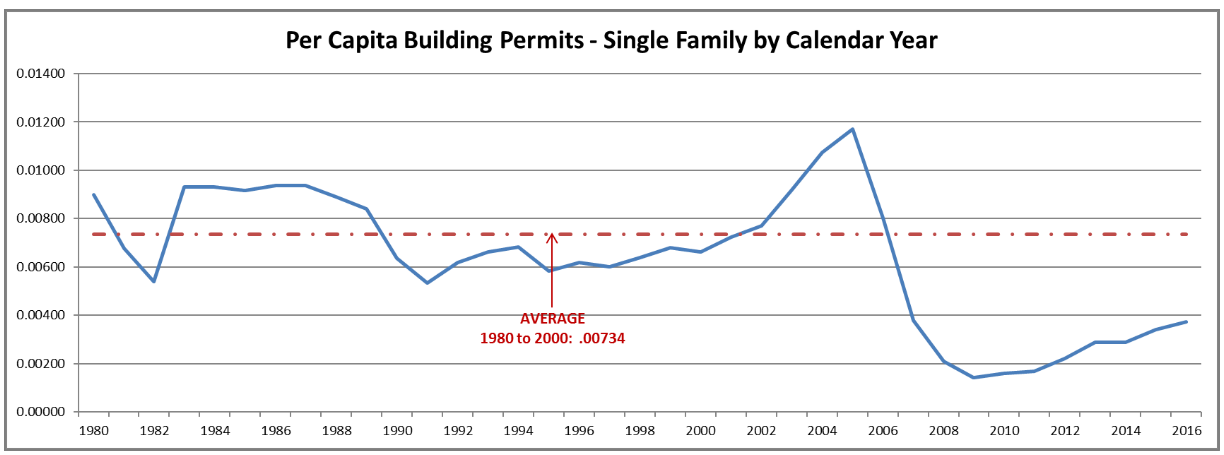
Florida's average annual wage has typically been below the national average. Since the beginning of this century, it has run about 88.6 percent of the United States as a whole; however, the ratio began dropping below this level as the nation began to recover from the Great Recession while Florida lagged behind. The preliminary data for the 2016 calendar year showed that it improved from the prior year to 87.7 percent of the U.S. average. The posting in 2015 was 87.4 percent and in 2014, it was 87.2 percent. The ratio in 2014 was Florida's lowest percentage since 2001. In part, the lower than average wage gains has to do with the mix of jobs that are growing the fastest in Florida. In this regard, the Accommodation & Food Services employment sector is large, has the lowest average annual wage, and is growing faster than overall employment in the state. This industry sector is closely related to the health of Florida's tourism industry that appears to have set a new record of 114.25 million visitors in Fiscal Year 2016-17, an increase of 4.0 percent over Fiscal Year 2015-16.



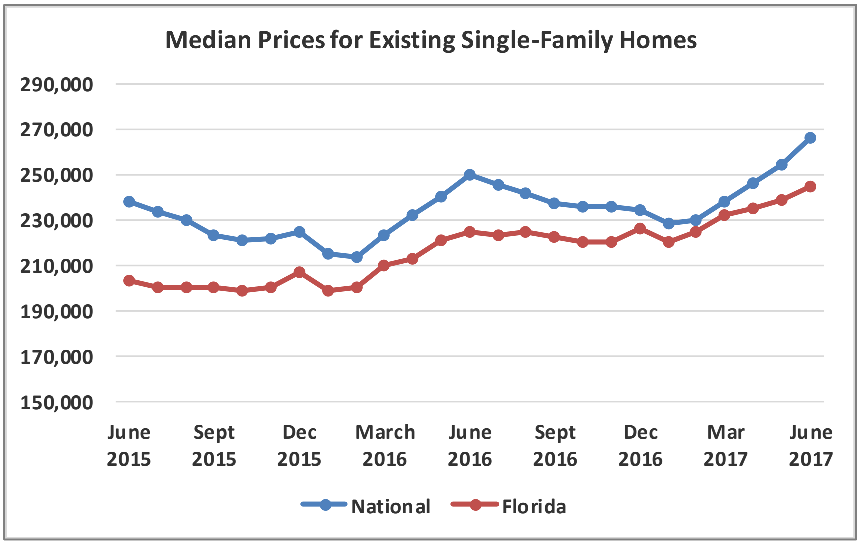
The strong tourism growth continues throughout the years covered by the Outlook. The Economic Estimating Conference projects that the number of tourists will grow by 4.5 percent per year during the 2018-19, 2019-20, and 2020-21 fiscal years.

To a great extent, the long recovery period for the jobs sector has and will continue to be related to the outlook for Florida's housing market. Construction has lost more jobs in this economic downturn than any other sector. It peaked in June 2006 with 691,900 jobs and at the end of July 2017 was still down 180,000 jobs (26.0 percent) from that level. In Fiscal Year 2016-17, single-family private housing starts only reached 76,500 or 42.1 percent of their peak level. And, collections from Documentary Stamp Taxes, a strong indicator of housing market activity, were only 59.6 percent of their prior peak as the fiscal year ended.

Overall, the housing market continues to move slowly forward. Single-family building permit activity, an indicator of new construction, remains in positive territory, beginning with strong back-to-back growth in both the 2012 and 2013 calendar years (over 30 percent in each year). The final data for the 2014 calendar year revealed significantly slowing (but still positive) activity—posting only 1.6 percent growth over the prior year. However, calendar year activity for 2015 and 2016 ran well above their respective periods a year prior; single-family data was higher than the prior year by 20.3 percent in 2015 and by 11.1 percent in 2016. Despite the strong percentage growth rates in four of the last five calendar years, the level is still low by historic standards—about half of the long-run per capita level. More recent data for the first six months of the 2017 calendar year indicates that single-family building permit activity increased by 14.8 percent over the prior year during this period.



Because construction activity continues to be subpar, attention over the past few years has focused on the market for existing homes as an upstream indicator of future construction need. The message in the existing home market has been slightly mixed. Existing home sales volume in the 2016 calendar year exceeded its 2005 peak for the second consecutive year, and the first six months of the 2017 calendar year appear to be outpacing 2016. In contrast, Florida's median price for single-family homes has yet to reach its prior annual peak from Fiscal Year 2005-06. Even though price gains have roughly tracked national gains over the last two years, the state's median home price for single family homes has generally stayed flatter as the national median peaks and dips. The state's median price in June was 92.0 percent of the national median price, similar to the difference in the Summer of 2008.



Part of the difference in strength between sales volume and price may be attributable to the fact that the supply of existing homes for sale in Florida has been inflated over the last eight years by the atypically large number of homes coming out of the lengthy foreclosure process and into the market. As these homes return to the available sales inventory, they are likely dampening some of the price changes suggested by the increased demand. This foreclosure effect will begin unwinding in Fiscal Year 2017-18 and finish in Fiscal Year 2018-19.

Countervailing some of the recent and expected improvements is the fact that the homeownership rate is still below normal. The 2015 percentage of 64.8 was well below the long-term average for Florida (66.3 percent). Final data for 2016 shows a further decline to 64.3 percent. This rate is below the lowest recorded homeownership rate in Florida (64.4 in 1989) during the 33-year history of the series.

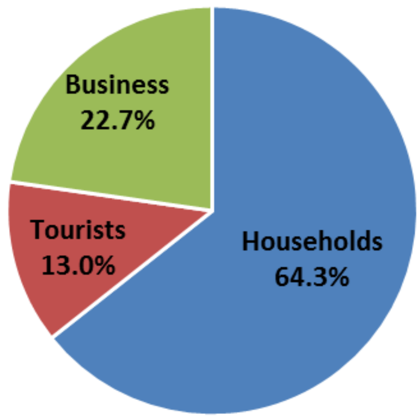
As discussed above, none of the key construction metrics have returned to their peak levels; however, private nonresidential construction expenditures are expected to pass their prior peak this year. The key housing market metrics do not show a return to their peak levels until Fiscal Year 2020-21 (total construction expenditures) and Fiscal Year 2023-24 (private residential construction expenditures). The rest either do not return to their peak at all during the forecast horizon (single and multi-family starts) or very late in the period (construction employment in Fiscal Year 2025-26). Overall the risks (positive and negative) to this part of the forecast are fairly balanced and stable.

FORECAST RISKS AND IMPLICATIONS

Risk Associated with Reliance on Tourism

Since Florida's economic outlook relies heavily on strong tourism growth to compensate for the remaining weakness in the housing market, tourism-related revenue losses pose the greatest potential risk to the economic outlook. The Legislative Office of Economic and Demographic Research has updated and refined an empirical analysis of the various sources of the state's sales tax collections. In Fiscal Year 2015-16, sales tax collections provided $22.0 billion or 76.4 percent of Florida's total General Revenue collections. Of this amount, an estimated 13.0 percent (nearly $2.86 billion) was attributable to purchases made by tourists.

Contributions to General Revenue from Sales Tax (with CST) Collections in FY 2015-16, By Source



Threats to tourism can come from many different sources. The most likely sources are natural or manmade disasters, disease outbreaks, federal policy or administrative changes that make it harder or less attractive to travel, and heightened terrorist activity.

Risk from Washington, D.C.

The Florida Economic forecast is underpinned by the National Economic forecast. The National Economic Estimating Conference met on July 12, 2017, and adopted the IHS Markit baseline forecast while expressing some concern that it may prove to be overly optimistic. As noted in the Executive Summary produced by IHS Markit, the economy has positive momentum going into the first half of Fiscal Year 2017-18, but there is considerably greater uncertainty regarding the growth outlook for calendar year 2018. The baseline forecast heavily relies on the assumption that the pace of recovery will pick up in 2018 as fiscal stimulus from personal income and corporate income tax cuts, along with a boost in infrastructure spending, kick in. As of the release of this Outlook, no action has occurred on any of these fronts. Further, critical deadlines are looming for the omnibus budget bill and debt ceiling extension in September and early October. Among other things, the budget agreement is assumed to include a change to the automatic sequester provisions that are scheduled to kick back in at the start of the 2018 federal fiscal year.

If any of these deadlines are missed or the much-anticipated fiscal stimulus fails to materialize, there will be negative repercussions to consumer, business, and investor confidence that would adversely impact economic performance in the nation and in Florida.

Florida Demographic Projections

> *Understanding the underlying components of Florida's population growth and demographic composition helps shed light on the state's primary economic driver by providing insight into the needs and pressures that face the state. The Florida Demographic Estimating Conference is expecting population growth to remain strong during the Outlook period, but begin to slow thereafter.*

Overall Population Growth

Population growth continues to be the state's primary engine of economic growth, fueling both employment and income growth. While Florida's long-term growth rate between 1970 and 1995 was over three percent, the future will be different than the past.

During the 1990's, the number of people in the state rose by three million—only California and Texas grew by more during the decade.[3] This represented a 23.5 percent increase in Florida's population, and during the first years of the 21st century, it looked like this trend would continue. By 2006, the rapid build-up into the housing boom had produced two years with annual growth over the prior year very near or slightly exceeding 400,000 persons. The other four years each topped 320,000 persons. However, the collapse of the housing boom and the entry of the Great Recession began to take a decided toll on population growth in 2007.

Ultimately, the Great Recession and its aftermath produced six consecutive years of less than one percent annual growth over the prior year (April 1, 2008, to April 1, 2013). Annual additions to population fell from the peak of 403,332 in 2005 to a low-point of 73,520 in 2009 before stopping the decline. This picture did not materially change until April 1, 2015, when Florida recorded growth of 1.58 percent (307,814 residents) over the prior year—the strongest percentage increase since 2007.

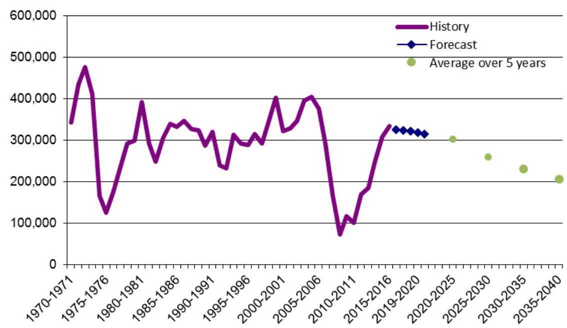
By the end of the 2015 calendar year, Florida broke the 20 million mark for its resident population, and it had surpassed New York earlier in the year to become the third most populous state. According to the Census Bureau's intercensal estimates, California, Texas, and Florida accounted for 27.1 percent of the nation's total population as of July 1, 2016.

Florida's population growth is expected to remain above 1.5 percent over the next few years. In the near-term, Florida appears to have grown by 1.61 percent between 2016 and 2017—and is expected to average growth of 1.56 percent annually between 2016 and 2020. Over the following decade, both the annual growth rates and incremental additions to the population are expected to slow. However, the state's growth rate will stay above one percent per year, still exceeding the national average annual growth of 0.75 percent between 2015 and 2030. By mid-year 2033, Florida's resident population is projected to top 25 million.

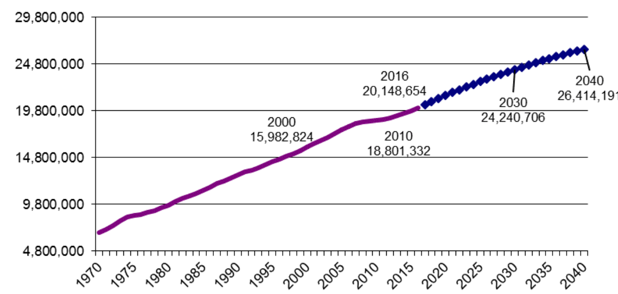
[SEE GRAPHS ON FOLLOWING PAGE]

[3] As reported by the U.S. Census Bureau decennial census for April 1, 1990 and April 1, 2000.

Florida's Incremental Population Growth



Florida's April 1 Population



Local Population Growth

Between 2000 and 2010, three of Florida's largest counties, Orange, Miami-Dade, and Hillsborough, each expanded by adding population equivalent to a city about the size of Orlando in 2010. During this time, only two counties lost population: Monroe and Pinellas. In contrast, four counties (Flagler, Sumter, Osceola, and St. Johns) experienced population growth rates above 50 percent. In fact, Flagler and Sumter were among the fastest-growing counties in the United States, ranking third and eighth, respectively.[4] St. Lucie, Lake, and Lee closely followed these counties with growth rates between 40.3 percent and 44.2 percent.

Today, Miami-Dade County is one of the most populous counties in the country, ranking eighth nationally according to the 2010 Census. In 2016, 50.6 percent of Florida's residents lived in one of its 411 municipalities, while in 2000, 49.5 percent lived in an incorporated place. Florida's most densely populated county is Pinellas, while Liberty County has the fewest number of residents per square mile. In terms of total population, Lafayette is the smallest county in the state—Miami-Dade is home to about 300 times Lafayette's population.

While population increased in all Florida counties but two (Monroe and Pinellas) between 2000 and 2010, 13 of Florida's counties experienced a net loss in resident population between April 1, 2010, and April 1, 2016. This was primarily caused by the recession-induced slower growth throughout the early part of this decade. On the other end of the spectrum, Miami-Dade County gained the most population between those years, followed by Orange and Hillsborough counties. In percentage terms, Sumter County grew the fastest followed by Osceola and St. Johns counties.

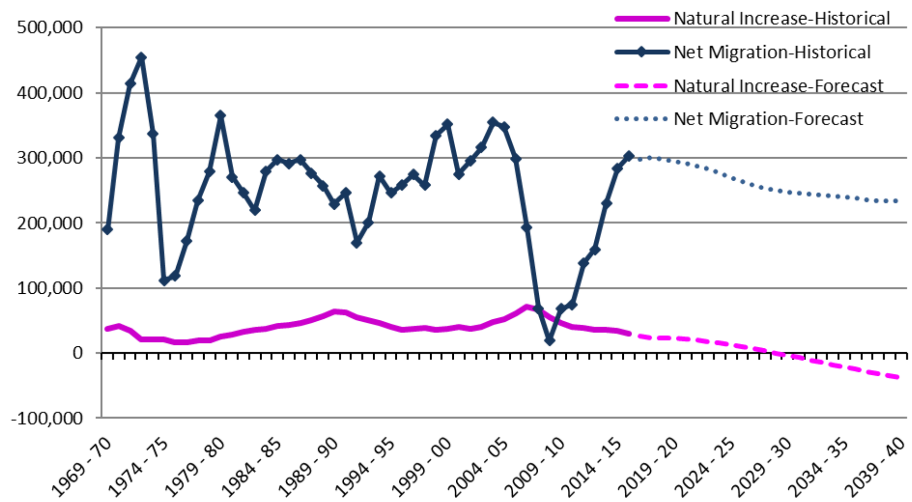
Sources of Growth

Population growth depends on two components: natural increase, which is the difference between births and deaths, and net migration, which is the difference between people moving into and out of the state. Typically, Florida's population growth depends upon in-migration. This is evidenced by the fact that just over one-third (35.9 percent) of Floridians were actually born in the state.

[4] Based on counties with a population of at least 10,000 in 2000.

Between 2010 and 2016, net migration accounted for 83.5 percent of growth, while natural increase has accounted for the remaining 16.5 percent. As shown below, during the Great Recession, net migration to the state slowed significantly. The low levels were largely due to national economic conditions, including weakened housing markets and other effects from the Great Recession that made it difficult for people to relocate.

Components of Population Change



As Florida moved further away from the Great Recession, net migration rebounded, accounting for over 90 percent of the growth over the past year. Over the longer-term forecast horizon, net migration will account for all of Florida's population growth, as natural increase is expected to turn negative (more deaths than births) by 2029.

Florida tops the list of states where most U.S. adults would choose to live if they did not live in their own states. According to the Harris Poll, November 2015, Florida ranked first, followed by California and Hawaii.[5] Baby Boomers (ages 51-69) ranked Florida first, while Generation X (ages 36-50), Millennials (ages 18-35), and Matures (ages 70+) all ranked Florida second. It is clear from these results that Florida remains an attractive migration state, which will likely fuel population growth in the future.

The same Harris Poll found that the top reason that most people (52 percent) would consider moving to another state is to "live in an area with better climate/weather." The percentages varied based on the region of the country and were the highest for this reason in the East and Midwest (64 and 61 percent, respectively), falling to 48 and 39 percent for the South and West, respectively. Job opportunity was the next most popular reason (41 percent), followed by proximity to family (36 percent). The order of these top three reasons for migration varied by generation and gender. This information provides insight as to why Florida's population growth from migration fails to be uniformly distributed across age groups.

[5] Prior to 2015, Florida topped the list of states to which people would like to move from 1997 to 2001.

	Total	Generation				Gender	
		Millennials (18-35)	Gen X (36-50)	Baby Boomers (51-69)	Matures (70+)	Men	Women
	%	%	%	%	%	%	%
To live in an area with better climate/weather	**52**	54	51	55	39	52	52
Job opportunity	**41**	68	52	20	2	42	40
Proximity to family	**36**	36	35	35	36	31	40

Demographic Composition and Long-Term Trends

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

Looking at race, Florida's population has become increasingly nonwhite. In the 1980 Census, 14.7 percent of the population was nonwhite; in 1990, 15.2 percent was nonwhite; and in 2000, 17.8 percent was nonwhite. Beginning with Census 2000, respondents were given the option of selecting more than one racial category. The percentage of White (alone) fell slightly from 78.0 percent to 75.0 percent between 2000 and 2010. During this same time period, the percentages of Black or African American (alone) increased from 14.6 percent to 16.0 percent, while the percentage of Asian (alone) increased from 1.7 percent to 2.4 percent. One-year data for 2015 from the American Community Survey indicates that this shift is continuing with Black or African American (alone) increasing further to 16.2 percent and Asian (alone) increasing to 2.7 percent.

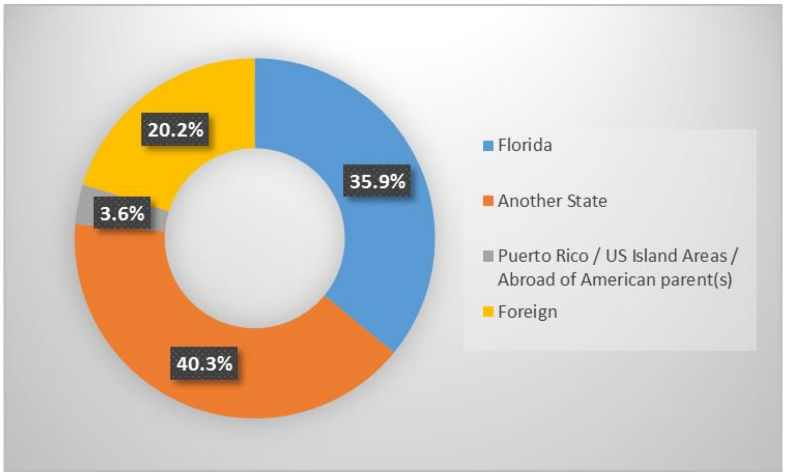
According to federal standards from the Office of Management and Budget and the Census Bureau, Hispanic origin refers to an ethnicity, not a race such as White or Black. In this regard, someone of Hispanic origin can be of any race. Nationally, Hispanic or Latinos represented 16.3 percent of the total population in 2010, up from 12.5 percent in 2000. By state, Hispanic or Latinos represented larger shares of the population in both California and Texas (tied at 37.6 percent) than in Florida (22.5 percent). However, the Hispanic or Latino population grew by 57.4 percent in Florida during this timeframe, faster than the United States (43.0 percent), Texas (41.8 percent), California (27.8 percent), and New York (19.2 percent). In Florida, the Hispanic or Latino population continues to grow. By 2030, 29.7 percent of Florida's population will be Hispanic.

According to the 2010 Census, 28.7 percent of Florida's Hispanic population indicated that they were of Cuban origin, while 20.1 percent were of Puerto Rican origin. In contrast, in the U.S., the majority of the Hispanic population was of Mexican origin (63 percent), while only 3.5 percent was of Cuban origin in 2010. Over two-thirds of the nation's Hispanic population of Cuban origin lived in Florida with 70.5 percent of Florida's Hispanic population of Cuban origin residing in Miami-Dade County.

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

Florida's diverse racial and ethnic population is also evident by the number of Floridians (age 5 or older) who speak a language other than English at home (over 5.5 million). Of these Floridians, over 2.2 million spoke English less than "very well." In addition, in 2015, it was estimated that 20.2 percent of Florida's population was foreign born. Of Florida's foreign born, over half (53.7 percent) are naturalized U.S. citizens.

Florida Residents: Place of Birth (2015)

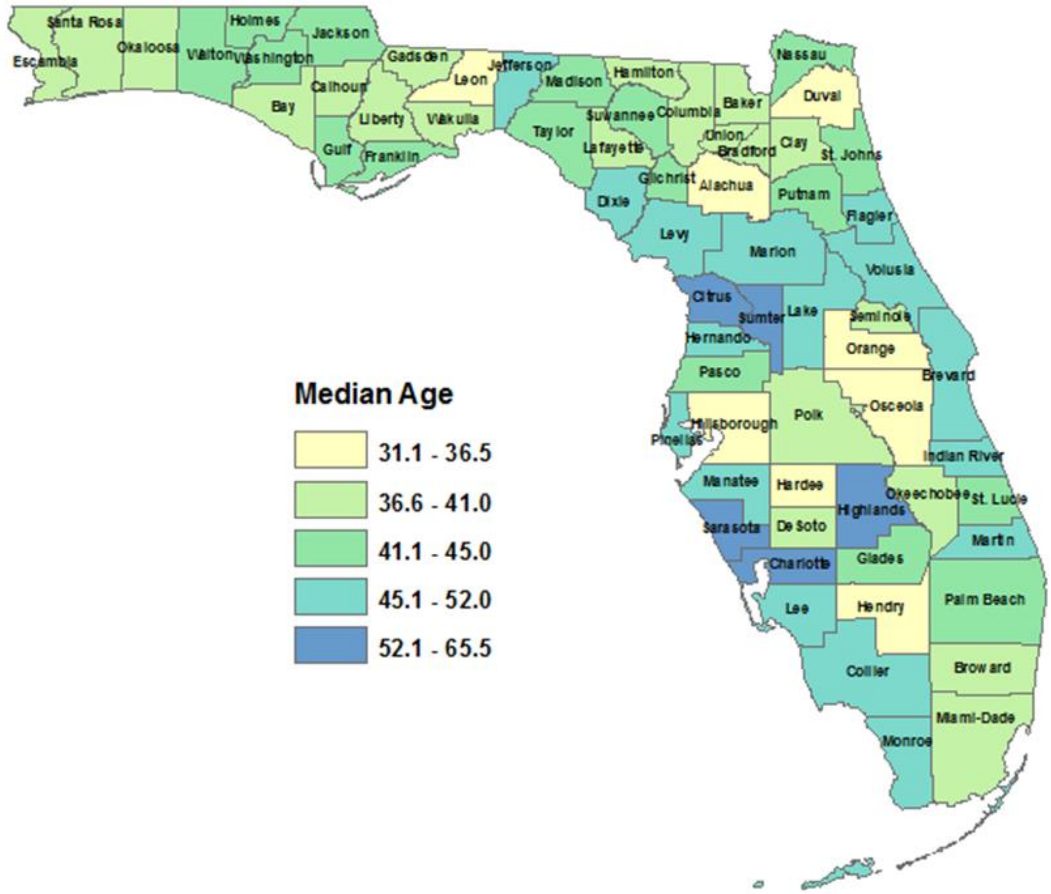


Florida's population has also continued to age; among other statistics, the median age of the state increased steadily from 31.2 in 1960, to 38.7 in 2000, to 40.7 in 2010. Nationally, in 2010, the median age increased to 37.2, up from 35.3 in 2000. As the Baby Boom population moves into retirement, the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

Florida's median age is estimated to have risen slightly to 41.6 in 2016. The 2010 Census indicated that median ages varied across the state from a low of 29.6 in Leon County to a high of 62.7 in Sumter County. In 2016, it was estimated that there were seven Florida counties with a median age of 50 or older and that Alachua and Sumter counties had the lowest and highest median ages at 31.1 and 65.5, respectively.

[SEE MAP ON FOLLOWING PAGE]

Median Age by County: 2016

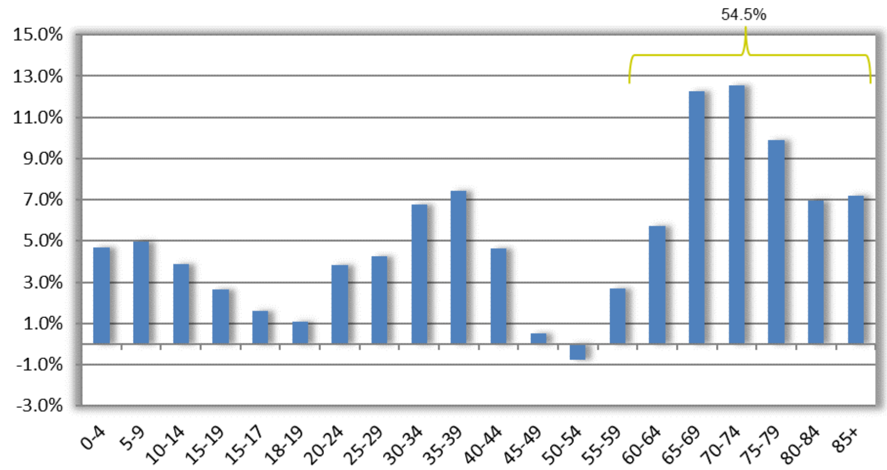


Population aged 65 and over is forecast to represent 24.4 percent of Florida's population in 2030, compared to 19.5 percent in 2017. Their shifting share of the population has other consequences. In 2000, Florida's prime working age population (ages 25-54) represented 41.5 percent of the total population. With the aging Baby Boom generation, this population likely represented just 37.7 percent of Florida's total population in 2017 and is projected to represent only 35.9 percent by 2030.

As the ratio of workers to retirees tilts to fewer workers per retiree, labor force issues will become increasingly challenging. The relationship of the prime working-age population (ages 25-54) relative to the retiree population (age 65 and over) is expected to change from 1.9 workers per retiree in 2017 to 1.5 workers per retiree by 2030. To some degree, this shift will occur in all states, but Florida will experience it more intensely.

Most of the state's growth will also come from the older population. Between 2010 and 2030, Florida's population is forecast to grow by 5.4 million, and 54.5 percent of those gains will come from the older population (age 60 and older).

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

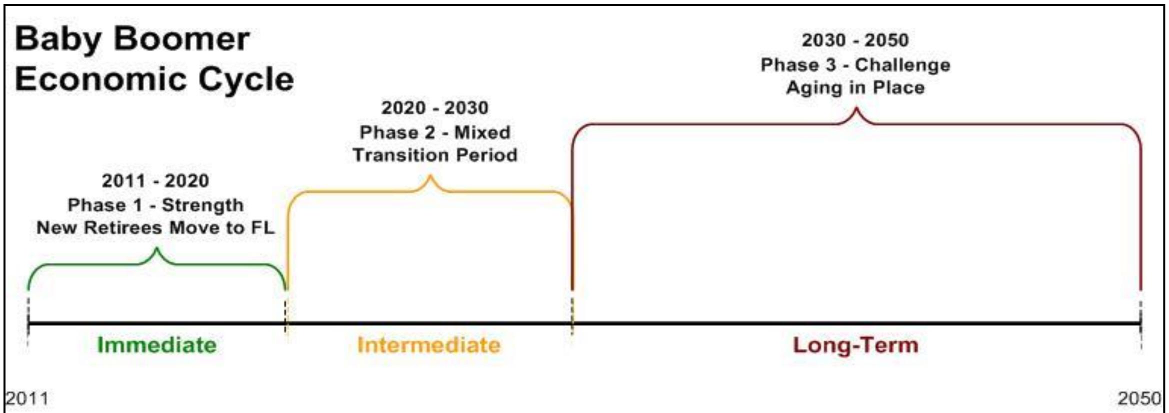


Summary

Florida's population growth slowed substantially as a result of the economic recession, mostly related to the recession's impact on job creation and the ability of people to migrate into the state. However, population growth appears to have remained relatively strong over the past few years, with levels and rates of growth above 300,000 and 1.5 percent, respectively. Growth is anticipated to remain in this range, albeit slowing slightly, throughout the forecast horizon. While Florida will not return to its peak period of over 1,000 people per day moving into the state, it is expected to average over 850 persons per day between now and 2020.

Several demographic factors will present future challenges for the state's policy makers as the Baby Boom population continues to enter retirement age. Most importantly, Florida will need to prepare for a more diverse and aging population with its corresponding demands on services. These changes will have vastly different effects over time.

[SEE CHART ON FOLLOWING PAGE]



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

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

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

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

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

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

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

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

Revenue Projections

> *Throughout the summer, the Revenue Estimating Conference met to finalize numbers for Fiscal Year 2016-17 and to develop new forecasts for the upcoming years. Overall revenue projections continue to track closely to prior forecasts. By far, the most significant change was to Indian Gaming revenues. It was unrelated to the natural growth of the underlying source, but rather to a legal action and uncertainty regarding future receipts.*

I. General Revenue Fund

A. Forecast Overview

For the 2016-17 fiscal year, total collections exceeded the estimate by just $35.6 million or only one-tenth of one percent. Based on the slightly weaker near-term National and Florida economic forecasts, the new forecast for overall General Revenue would have essentially matched the old forecast in the short-term; however, recognition of Indian Gaming revenue share payments associated with banked card games resulted in a net increase in the estimate. Overall, anticipated revenues were revised upward by $132.2 million in Fiscal Year 2017-18 and by $188.1 million in Fiscal Year 2018-19, for a two-year total of $320.3 million.

The revised Fiscal Year 2017-18 estimate exceeds the prior year's collections by $1.33 billion (or 4.5 percent). The revised forecast for Fiscal Year 2018-19 has projected growth of $1.28 billion (or 4.1 percent) over the revised Fiscal Year 2017-18 estimate. The growth rate for Fiscal Year 2019-20 was unchanged at 4.0 percent, and for Fiscal Year 2020-21 it was increased from 3.6 percent to 3.7 percent, with the resulting dollar levels staying similar to the prior forecast.

Most of the changes to the individual revenue sources were minor, with positives and negatives across the sources largely offsetting each other. Only two adjustments were significant and persistent over the forecast period. They are both discussed below:

- **Sales Tax**... The annual estimates were reduced by $143.2 million in Fiscal Year 2017-18 and by $148.7 million in Fiscal Year 2018-19 to reflect the slightly weaker economic drivers coming from other forecasts. Five of the six sales tax categories were adjusted downwards, with the greatest two-year change to Tourism & Recreation.

- **Corporate Income Tax and Refunds**... The forecast revisions of $65.2 million in Fiscal Year 2017-18 and $90.4 million in Fiscal Year 2018-19 reflect higher-than-expected recent collections and the slightly stronger corporate profit growth rates adopted by the National Economic Estimating Conference in July.

Several of the revisions to the forecast (Tobacco Taxes, Article V Fees & Transfers, and Highway Safety Licenses & Fees) were the results of earlier conferences. Most importantly, the Revenue Estimating Conference for Indian Gaming made significant changes. In addition to adopting an estimate of future revenue amounts, that Conference took two actions that affect the treatment of past and future receipts. First, based on the Settlement Agreement and Stipulation entered into between the Seminole Tribe of Florida and the State of Florida in July 2017, the payments associated with banked card games that the state has held in reserve ($233.8 million) have been released. Of the total, $226.8 million belongs solely to the state and is recognized on the General Revenue Financial Outlook Statement that was adopted on August 15, 2017. Second, future revenue share payments, including those formerly placed in reserve, have been treated as nonrecurring revenues because the continuation of these payments depends on actions by the state and the Seminole Tribe that cannot be anticipated with sufficient certainty. The combined two-year total (2017-18 and 2018-19) of the Indian Gaming forecast change ($323.9 million) and reserve release ($226.8 million) is $550.7 million. Since the entire amount is now nonrecurring, the General Revenue Outlook loses between $113.7 million and $120.6 million of recurring dollars per year.

Summaries for the Conference results that support General Revenue but were separately addressed are provided below in alphabetical order.

B. Article V Fees & Transfers

Revenue collections for Article V Fees and Transfers during the 2016-17 fiscal year came in slightly above the estimates adopted by the Revenue Estimating Conference on February 16, 2017, after adjustments for Measures Affecting Revenue. Among the stronger performers, Clerks' Fines, Fees, and Charges came in $5.9 million (1.6 percent) above estimate. Altogether, Article V revenues achieved 101.4 percent of the forecast for the period.

Actual Fiscal Year 2016-17 revenue performance was used to adjust the forecast base. As a result, the forecast did not change for five revenue categories: Family Circuit Court – Marriage Dissolution, Circuit Court – Probate, Appeals, Adjudication/Counterclaim, and Clerks of Court – 10 Percent of Fines. Projected collections for several of the Circuit Court Base Fees (Family and Other, but excluding Foreclosure) and all County Court sources (Claims in Excess of $2,500, Removal of Tenant Action, and the Additional Fee) were increased throughout their forecasts. However, small reductions were made to Mediation, Marriage License, and Other Fees for every forecasted year, and changes to the remaining categories (other than Foreclosure) were mixed across years.

Of note, the final level of foreclosures filings in Fiscal Year 2016-17 (55,367) fell decidedly below the annual average (68,605) between Fiscal Year 1999-2000 and Fiscal Year 2005-06. The Conference adopted a new foreclosure forecast that takes into account both the decline in the actual number of homes in foreclosure status and the crowding out of future foreclosures caused by the heightened activity coming out of the collapse of the housing boom and the Great Recession. The Conference reduced the estimate for foreclosure filings in Fiscal Year 2017-18 by 2,323 filings and the estimate for Fiscal Year 2018-19 by 2,212 filings. Filings continue to decline throughout the forecast horizon. These changes translate into a reduction in foreclosure fees of $2.6 million in Fiscal Year 2017-18 and $2.4 million in Fiscal Year 2018-19. The following table depicts the changes to forecasted filings:

Foreclosure Filings	February 2017 REC	July 2017 REC	Difference
2017-18	55,000	52,677	(2,323)
2018-19	52,500	50,288	(2,212)
2019-20	50,000	48,494	(1,506)
2020-21	50,000	48,228	(1,772)
2021-22	50,000	48,096	(1,904)
2022-23	---	48,096	

Cumulatively, the Article V changes result in an increase to the forecast of $7.2 million in Fiscal Year 2017-18 and $5.4 million in Fiscal Year 2018-19; however, the impact on specific funds varies in both size and direction. For the major funds, the new forecast results in the following changes:

- General Revenue
  - Fiscal Year 2017-18: -$0.1 million (0.1 percent decrease)
  - Fiscal Year 2018-19: -$1.3 million (1.2 percent decrease)

- State Courts Revenue Trust Fund
  - Fiscal Year 2017-18: $1.1 million (1.5 percent increase)
  - Fiscal Year 2018-19: $1.5 million (2.1 percent increase)

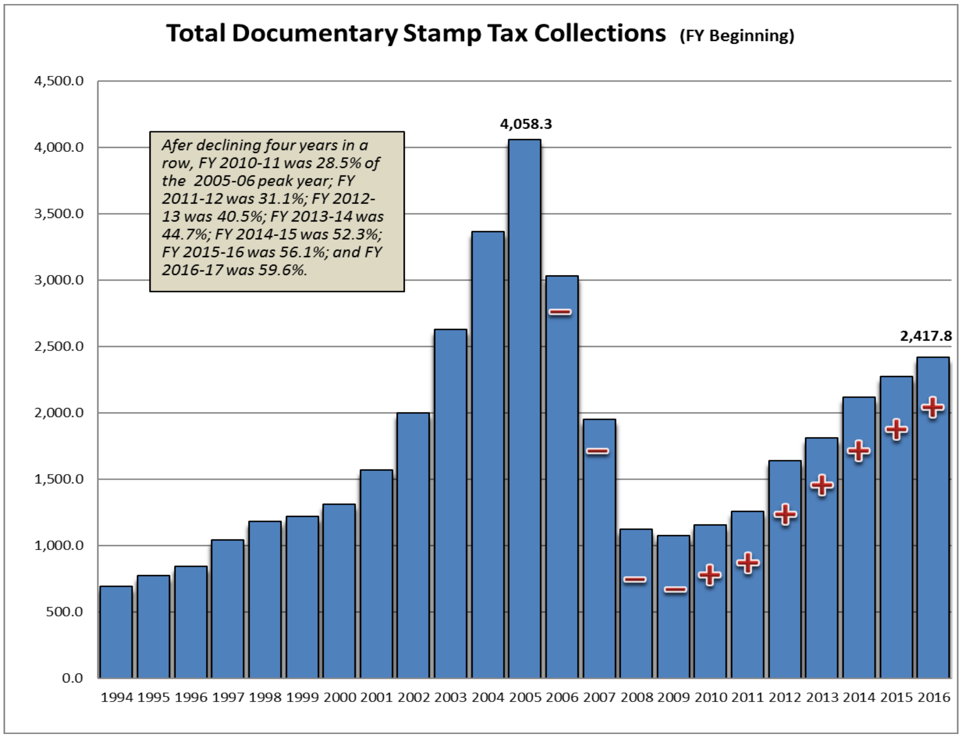
- Clerks of Court Trust Fund
  - Fiscal Year 2017-18: $2.0 million (100 percent increase)
  - Fiscal Year 2018-19: No change

- Clerks' Fine and Forfeiture Funds
  - Fiscal Year 2017-18: $4.0 million (1.0 percent increase)
  - Fiscal Year 2018-19: $5.1 million (1.3 percent increase)

C. Documentary Stamp Tax

As a result of still relatively low construction activity and sale prices, Documentary Stamp Tax collections were only 59.6 percent of their prior peak as the 2016-17 fiscal year ended. Even so, this was an improvement over the two previous years which saw collections at 52.3 percent and 56.1 percent of the 2005-06 peak year, respectively, as shown in the graph on the following page.

The Conference increased the Documentary Stamp Tax forecast for Fiscal Year 2017-18 by $21.1 million over the previous estimate to $2.522 billion. Positive growth is expected to continue throughout the three-year period of the Outlook (2018-19 at 4.0 percent, 2019-20 at 3.7 percent, and 2020-21 at 3.6 percent). These combined growth rates produce anticipated collections of $2.818 billion in Fiscal Year 2020-21. The prior peak level of nearly $4.1 billion is not expected to be reached until Fiscal Year 2032-33.



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

Documentary Stamp Tax Total Collections
Long Term Forecast ($ Million)

Fiscal Year	Total Doc Stamps	Percent Change	Total to LATF	Debt Service	Remainder LATF
2017-18	**2,521.72**	**4.30%**	828.9	*166.0*	*663.0*
2018-19	**2,622.59**	**4.00%**	862.2	*166.3*	*695.9*
2019-20	**2,719.63**	**3.70%**	894.2	*166.4*	*727.8*
2020-21	**2,817.54**	**3.60%**	926.6	*166.3*	*760.2*
2021-22	**2,918.97**	**3.60%**	960.0	*145.0*	*815.1*
2022-23	**3,021.13**	**3.50%**	993.7	*134.0*	*859.7*
2023-24	**3,123.85**	**3.40%**	1,027.6	*113.9*	*913.7*
2024-25	**3,226.94**	**3.30%**	1,061.7	*113.9*	*947.8*
2025-26	**3,330.20**	**3.20%**	1,095.7	*90.5*	*1,005.2*
2026-27	**3,436.76**	**3.20%**	1,130.9	*70.2*	*1,060.7*
2027-28	**3,543.30**	**3.10%**	1,166.1	*52.9*	*1,113.2*
2028-29	3,653.15	3.10%	1,202.3	*30.3*	*1,172.0*
2029-30	3,766.39	3.10%	1,239.7	*6.9*	*1,232.7*
2030-31	3,883.15	3.10%	1,278.2	*6.9*	*1,271.3*
2031-32	4,003.53	3.10%	1,317.9	*6.9*	*1,311.0*
2032-33	4,127.64	3.10%	1,358.9	*3.4*	*1,355.5*
2033-34	4,255.60	3.10%	1,401.1	*3.4*	*1,397.7*
2034-35	4,387.52	3.10%	1,444.7	*3.4*	*1,441.2*
2035-36	4,523.53	3.10%	1,489.5	*3.4*	*1,486.1*
2036-37	4,663.76	3.10%	1,535.8	*3.4*	*1,532.4*

Note: Estimates in bold were adopted at the General Revenue Estimating Conference (August 2017). The constitutional provisions requiring the set-aside of funds into the Land Acquisition Trust Fund expire July 1, 2035. The long-run forecast assumes the Legislature continues this treatment beyond that date.

D. Highway Safety Fees

Adopted July 28, 2017, the new forecast for Highway Safety Licenses and Fees (HSMV) is mostly positive by fund relative to the previous forecast adopted in March 2017 and adjusted for Measures Affecting Revenue. By variable, the positive changes in a few categories exceeded the smaller downward adjustments across a larger number of categories, generating the overall higher forecast. Each of the first four years of the forecast has an increase in total ranging from a low of $10.6 million (Fiscal Year 2020-21) to a high of $16.7 million (Fiscal Year 2018-19). Only the fifth year (Fiscal Year 2021-22) has an outright decline over the prior forecast (a decrease of $5.2 million).

Five of the revenue categories were increased for each year of the forecast, with the largest increase over the first two years occurring in the Reinstatements category. This change alone amounts to $5.5 million in Fiscal Year 2017-18 and $5.9 million in Fiscal Year 2018-19. Other categories whose estimates were raised throughout the forecast are Red Light Cameras, Transcripts/ Records, MVL Ancillary Fees, and Vessel Ancillary Fees.

Revisions to the forecast for eight revenue categories were downward for each year of the forecast period. The largest combined decrease to the forecast for the first two fiscal years came in the For Hire category, which was reduced by $5.1 million in Fiscal Year 2017-18 and by $5.5 million in Fiscal Year 2018-19. There were also sizable decreases to the Titles and Initial Registrations categories resulting from decreases in the assumed light vehicle sales. Five other revenue categories – Miscellaneous Fees, CDL, PDL, Private Vehicles, and HSMV Plates – had mixed results throughout the forecast horizon while two categories – DL Tests and DUI – had no change to the forecast.

The revised estimates by category resulted in modestly changed revenues over the previous forecast for two of the major benefiting funds: General Revenue and the State Transportation Trust Fund. The Highway Safety Operating Trust Fund saw a relatively larger increase to its forecast, mostly due to increased Reinstatements fees. The revisions are shown below:

- General Revenue
    - Fiscal Year 2017-18: -$3.6 million (0.7 percent decrease)
    - Fiscal Year 2018-19: $3.4 million (0.6 percent increase)

- Highway Safety Operating Trust Fund
    - Fiscal Year 2017-18: $10.6 million (2.5 percent increase)
    - Fiscal Year 2018-19: $9.3 million (2.1 percent increase)

- State Transportation Trust Fund
    - Fiscal Year 2017-18: $1.4 million (0.1 percent increase)
    - Fiscal Year 2018-19: -$0.9 million (0.1 percent decrease)

E. Indian Gaming Revenues

The Revenue Estimating Conference met on August 10, 2017, to adopt new estimates for Indian Gaming revenues. The forecast was increased in each year due solely to the recognition of Indian Gaming revenue share payments associated with banked card games.

In addition to adopting an estimate of future revenue amounts, the Conference took two actions that affect the treatment of past and future receipts. First, based on the Settlement Agreement and Stipulation entered into between the Seminole Tribe of Florida and the State of Florida in July 2017, the payments associated with banked card games that the state has held in reserve ($233.8 million) have been released.[6] Of the total, $226.8 million belongs exclusively to the state; the remainder will be distributed to local governments pursuant to section 285.710, Florida Statutes. This reserve release is shown on the General Revenue Outlook dated August 15, 2017, and is not directly a part of this forecast. Second, all future revenue share payments, including those formerly placed in reserve, have been treated as nonrecurring revenues because the continuation of these payments depends on actions by the state and the Seminole Tribe that cannot be anticipated with sufficient certainty.

The projected total net win for Fiscal Year 2016-17 is expected to fall below the Fiscal Year 2015-16 level by $19.8 million for a decline of 0.85 percent. Going forward, the Conference continues to project growth in net win; however, the long term growth rates were revised down from 1.2 percent to 1.1 percent. Since net win is the base for calculating the state's revenue share, this exerts downward pressure on the revenue forecast, but that effect is masked by the recognition of the banked card games. That recognition alone accounts for the net increase in the forecast.

The following table compares the August 2017 and March 2017 forecasts, showing the increases in projected revenues by year.

Indian Gaming Revenues (Millions of $)									
	Receipts			Local Distribution			Net General Revenue		
	March 2017	August 2017	Difference	March 2017	August 2017	Difference	March 2017	August 2017	Difference
2017-18	117.2	276.0	158.8	3.5	3.5	0.0	113.7	272.5	158.8
2018-19	118.5	288.6	170.2	3.5	8.6	5.1	115.0	280.1	165.1
2019-20	119.9	292.5	172.6	3.6	8.7	5.1	116.3	283.8	167.5
2020-21	121.3	296.3	175.0	3.6	8.8	5.2	117.7	287.6	169.9
2021-22	122.8	300.3	177.5	3.6	8.9	5.2	119.1	291.4	172.3
2022-23	124.3	304.2	180.0	3.7	9.0	5.3	120.6	295.2	174.6

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

[6] The 2010 Compact provides that if the authorization for banking or banked card games (including baccarat, chemin de fer, and blackjack) expires, revenue share payments from all banked card games and all Broward activity shall end. It also provides that the Tribe has 90 days to cease operation of the banked card games. The Conference had previously assumed that the authorization for banked card games expired on July 31, 2015, and that the grace period ended October 31, 2015. Beginning in November 2015 and running through July 2017, revenue sharing associated with table games was not included in the forecast. The Settlement Agreement and Stipulation removed the need for this treatment.

F. Tobacco Tax and Surcharge

The Revenue Estimating Conference reviewed Tobacco Tax and Surcharge revenues on August 10, 2017. The Conference increased the forecast for Cigarette Tax and Surcharge relative to the estimates adopted in February 2017. Prior to adjusting for refunds, the underlying forecast for Other Tobacco Products Tax and Surcharge was also adjusted upward; however, the inclusion of anticipated refunds changed the net results.

Combined, Cigarette Tax and Surcharge revenues were $10.7 million over estimate for Fiscal Year 2016-17. Based on this performance, the revenue forecast was increased from the prior estimate. The Conference believes that the overall downward trend in cigarette consumption over the past ten years is likely to continue in the out-years, but has moderated somewhat in the short run.

Combined, Other Tobacco Products Tax and Surcharge revenues were approximately $0.6 million over estimate for Fiscal Year 2016-17. The Conference increased the expected growth rates in Fiscal Year 2017-18 and Fiscal Year 2018-19, but did not change the longer term growth rates from the February Conference for Fiscal Years 2019-20 through 2021-22. Despite the upward adjustment to the tax base, the net revenue forecast was lower than the prior forecast. As a result of litigation regarding the calculation of wholesale sales price before July 1, 2016, an atypically large volume of refund payments is anticipated that has not been previously addressed in the forecast. The Department of Business and Professional Regulation projects that the maximum amount that could be refunded is currently $139.6 million. Of this amount, $44.8 million in refunds have been requested that may or may not be approved pending submission of additional documentation. Based on experience with other tax sources, the Conference estimated that approximately 70 percent of the $44.8 million will be refunded. Of the remaining $94.8 million, the Conference estimated that 50 percent will be refunded. This brings the total amount of likely refund activity within the forecast period to $76 million. The Conference distributed this amount across a four-year period, with a refund schedule of 35 percent in Fiscal Year 2017-18, 25 percent in Fiscal Year 2018-19, 20 percent in Fiscal Year 2019-20, and 20 percent in Fiscal Year 2020-21. These refunds were then deducted from the revenues otherwise projected for Other Tobacco Products, resulting in lower revenue estimates.

The following table summarizes the changes in collections and distributions since the last forecast, including the addition of Fiscal Year 2022-23 and the incorporation of anticipated refunds.

[SEE TABLE ON FOLLOWING PAGE]

Tobacco Tax and Surcharge Conference
Comparison of the February 2017 and August 2017 Forecasts

COLLECTIONS						
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Cigarette Tax						
February 2017	267.9	264.2	260.3	256.4	252.5	
August 2017	271.7	268.3	264.3	260.3	256.4	252.6
Difference	3.8	4.1	4.0	3.9	3.9	
Cigarette Surcharge						
February 2017	801.7	790.7	778.8	767.1	755.6	
August 2017	813.0	802.9	790.8	778.9	767.2	755.7
Difference	11.3	12.2	12.0	11.8	11.6	
OTP Tax						
February 2017	33.8	34.5	35.1	35.8	36.6	
August 2017	26.7	29.9	31.7	32.5	37.8	38.6
Difference	-7.1	-4.6	-3.4	-3.3	1.2	
OTP Surcharge						
February 2017	81.1	82.7	84.4	86.0	87.8	
August 2017	64.6	72.1	76.5	78.2	90.7	92.5
Difference	-16.5	-10.6	-7.9	-7.8	2.9	

DISTRIBUTIONS						
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Health Care Trust Fund						
February 2017	812.2	803.5	794.1	784.8	776.0	
August 2017	805.9	804.0	797.0	787.7	789.2	780.3
Difference	-6.3	0.5	2.9	2.9	13.2	
General Revenue Service Charge						
February 2017	92.1	91.0	89.9	88.8	87.8	
August 2017	93.4	92.5	91.4	90.2	89.2	88.1
Difference	1.3	1.5	1.5	1.4	1.4	
General Revenue Excise Tax						
February 2017	147.4	145.2	142.7	140.4	138.0	
August 2017	149.8	147.7	145.2	142.8	140.5	138.1
Difference	2.4	2.5	2.5	2.4	2.5	
OTP General Revenue Tax						
February 2017	33.8	34.5	35.1	35.8	36.6	
August 2017	26.7	29.9	31.7	32.5	37.8	38.6
Difference	-7.1	-4.6	-3.4	-3.3	1.2	
Total GR Distributions						
February 2017	273.2	270.6	267.8	265.1	262.3	
August 2017	269.9	270.1	268.3	265.5	267.5	264.8
Difference	-3.3	-0.5	0.5	0.4	5.2	
All Other Funds						
February 2017	99.1	97.9	96.7	95.5	94.3	
August 2017	100.2	99.1	98.0	96.7	95.4	94.3
Difference	1.1	1.2	1.3	1.2	1.1	

Dollars shown in millions.

II. Educational Enhancement Trust Fund, Lottery, and Slots

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

The Revenue Estimating Conference reviewed **Lottery** revenues on August 8, 2017. Total ticket sales were $202.4 million over estimate for Fiscal Year 2016-17 primarily due to scratch-off ticket sales and to a lesser extent Powerball. The strength of these games overcame the weaker-than-expected performance of most other terminal games, but the performance of those games was likely affected by the introduction of Cash 4 Life. Overall, terminal games (including Cash 4 Life) were $43.4 million above estimate, only slightly above the overage attributable to Powerball even though Cash 4 Life sales were not a part of the prior forecast.

The Conference increased the overall sales forecast by $333.9 million in Fiscal Year 2017-18 and increased the forecast by $342.3 million to $354.2 million in subsequent fiscal years. Primarily as a result of this, transfers to the EETF from ticket sales increase by roughly $100 million in each of the first four forecasted years. In regard to the specific games:

- The Conference increased the Scratch-Off ticket sales by $279.0 million to $305.4 million each fiscal year. Scratch-Off sales were approximately $159.1 million over estimate for Fiscal Year 2016-17.

- Powerball ticket sales were increased by $30.4 million to $34.9 million throughout the forecast. Powerball sales were about $36.0 million over estimate for Fiscal Year 2016-17, primarily due to three large jackpots. Mega Millions ticket sales were also healthier than anticipated, coming in $3.4 million over estimate for Fiscal Year 2016-17. The Conference increased this part of the forecast between $16.4 million and $17.0 million each year.

- Lotto and Fantasy Five ticket sales were consistently under estimate each week. The Conference reduced the forecast for Lotto ticket sales by $17.0 million to $26.3 million per fiscal year and reduced the forecast for Fantasy Five ticket sales by about $32.5 million each fiscal year. Ticket sales for Lucky Money were slightly under estimate ending Fiscal Year 2016-17; the Conference chose to keep the Fiscal Year 2016-17 sales level of $89.9 million constant for each subsequent fiscal year.

- Ticket sales for Pick Games – Pick 2, Pick 3 (formerly Cash 3), Pick 4 (formerly Play 4), and Pick 5 – were virtually on estimate, only missing it by 0.5 percent. The Conference reduced the forecast by approximately $3.3 million each fiscal year.

- Cash 4 Life is a new game that came online in the middle of February 2017. Total ticket sales for the partial year of Fiscal Year 2016-17 were $28.8 million. The Conference annualized the partial year activity, resulting in forecasted levels of $65.0 million to $69.9 million for each fiscal year.

The high-level changes to the forecast are shown in the table below.

Summary of Lottery Revenues to the EETF (Millions of $)				
		Dec 2016	Jul 2017	Diff.
EETF Receipts from Ticket Sales	**2017-18**	1,521.0	1,605.4	84.4
	2018-19	1,568.4	1,656.2	87.8
	2019-20	1,559.3	1,643.2	83.9
	2020-21	1,580.9	1,668.1	87.2
	2021-22	1,649.3	1,689.0	39.7
	2022-23		1,707.7	1,707.7
Other Income	**2017-18**	11.1	11.6	0.5
	2018-19	11.1	11.7	0.6
	2019-20	11.1	11.8	0.7
	2020-21	11.1	11.9	0.8
	2021-22	11.1	12.0	0.9
	2022-23		12.0	12.0
80% unclaimed prizes	**2017-18**	40.7	52.6	12.0
	2018-19	41.2	53.4	12.2
	2019-20	41.8	54.1	12.4
	2020-21	42.4	54.9	12.5
	2021-22	42.9	55.6	12.7
	2022-23		56.4	56.4
Distribution to EETF from Lottery Receipts	**2017-18**	1,572.7	1,669.6	96.9
	2018-19	1,620.8	1,721.3	100.5
	2019-20	1,612.1	1,709.1	97.0
	2020-21	1,634.4	1,734.9	100.5
	2021-22	1,703.3	1,756.6	53.3
	2022-23		1,776.1	1,776.1

The Revenue Estimating Conference reviewed **Slot Machine** revenues on August 10, 2017. Tax collections for Fiscal Year 2016-17 were virtually on estimate, coming in just 0.5 percent above the prior estimates. After reviewing the year-over-year results for each individual facility and considering the performance of the gaming industry in Florida as a whole, there was sufficient evidence to make a modest downward adjustment to the long-term growth rates, as the overall gaming industry appears to be slightly decelerating. Accordingly, the Conference reduced the annual growth rates for Fiscal Years 2019-20 through 2021-22 from 1.2 percent to 1.1 percent and held that percentage constant for the remaining fiscal year. The forecast changes are shown in the following table.

Slot Machines Tax Collections (Millions of $)			
	Mar 2017	Aug 2017	Difference
2017-18	192.9	193.9	1.0
2018-19	195.3	196.3	1.0
2019-20	197.6	198.5	0.9
2020-21	200.0	200.6	0.6
2021-22	202.4	202.8	0.4
2022-23		205.0	205.0

For Fiscal Year 2017-18, the **EETF** has a projected positive balance of $250.8 million after accounting for all available funds and anticipated expenditures. This amount does not include any revenues associated with the Indian Gaming Compact, which are deposited in the General Revenue Fund. Excluding the $250.8 million that will be carried forward into Fiscal Year 2018-19, all other revenues in the EETF are expected to increase modestly in Fiscal Year 2018-19, decline slightly in Fiscal Year 2019-20, and increase again in Fiscal Year 2020-21.

III. State School Trust Fund and Unclaimed Property

Used exclusively to meet public school needs, the State School Trust Fund (SSTF) contains revenue primarily derived from unclaimed property (sometimes referred to as abandoned property). The projection of receipts from unclaimed property and the subsequent distribution into the SSTF were revised July 18, 2017, by the Revenue Estimating Conference.

The Conference reviewed actual state receipts and refunds to owners of abandoned property for Fiscal Year 2016-17. Receipts totaled $428.2 million, which was $22.7 million (5.0 percent) below the estimate of $450.9 million. Refunds totaled $310.4 million, which was $2.7 million (0.9 percent) below the estimate of $313.1 million. The transfer to the SSTF was $133.9 million, which was $14.9 million (10.0 percent) below the estimated transfer of $148.8 million.

For each year of the forecast, the Conference reduced the assumed annual growth rate in receipts from 5.0 percent to growth rates equal to Florida population growth rates, which are projected to range from 1.6 percent to 1.4 percent throughout the forecast period. For Fiscal Year 2017-18, an additional $13.0 million was added to the receipts forecast as a one-time atypical payment. The Department of Financial Services staff indicated these funds will be deposited in July 2017 as a result of a recent settlement agreement. For refunds to owners, the Conference maintained the 73.1 percent refunds rate that was adopted at the February estimating conference for each year of the forecast. The refunds rate is applied to the average of the two prior years of receipts (excluding atypical receipts).

Using these assumptions, the Conference adopted an estimate of $448.0 million in receipts and $313.5 million in refunds for Fiscal Year 2017-18 and $441.8 million in receipts and $315.5 million in refunds for the 2018-19 fiscal year. On net, this produced projected transfers to the SSTF of $122.3 million for Fiscal Year 2017-18 and $117.7 million for Fiscal Year 2018-19. Including the lower than expected transfer in Fiscal Year 2016-17, the transfers to the SSTF were reduced by a total of $69.8 million across the three fiscal years, as shown in the following table.

SSTF Transfers (Millions of $)	Feb 2017	Jul 2017	Difference
2016-17 Unclaimed Property Receipts	450.9	428.2	-22.7
2016-17 Unclaimed Property Refunds	313.1	310.4	-2.7
2016-17 Transfer to State School Trust Fund	**148.8**	**133.9**	**-14.9**
2017-18 Unclaimed Property Receipts	473.4	448.0	-25.4
2017-18 Unclaimed Property Refunds	321.9	313.5	-8.4
2017-18 Transfer to State School Trust Fund	**143.6**	**122.3**	**-21.3**
2018-19 Unclaimed Property Receipts	497.1	441.8	-55.3
2018-19 Unclaimed Property Refunds	337.9	315.5	-22.4
2018-19 Transfer to State School Trust Fund	**151.3**	**117.7**	**-33.6**
NET DIFFERENCE			**-69.8**

The shortfall from Fiscal Year 2016-17 combined with the reduction to the 2017-18 forecast results in a projected deficit of $29.3 million for the current fiscal year. Assuming the deficit is resolved by the end of the 2017-18 fiscal year, the funds available for Fiscal Year 2018-19 are estimated to be $120.5 million.

IV. Tobacco Settlement Trust Fund

The Revenue Estimating Conference met on August 10, 2017, to affirm the final results for Fiscal Year 2016-17 and adopt a new forecast of tobacco settlement payments for Fiscal Years 2017-18 through 2032-33.

Tobacco settlement payments accrue to the state from a legal settlement agreement made on August 25, 1997, in response to a lawsuit between the State of Florida and several major tobacco companies. An annual payment is due by December 31 of each year, and a profit adjustment payment is due following the end of the participating companies' fiscal year. Both payments continue in perpetuity. The Tobacco Settlement Trust Fund receives the settlement payments; funds are currently used for programs in the Health and Human Services policy area.

On January 18, 2017, the State of Florida filed a Motion to Join ITG Brands, LLC as a Defendant and to enforce the Settlement Agreement in *State of Florida, et. al., v. Am. Tobacco Co., R.J. Reynolds Tobacco Co., et. al., No. 95-1466 AH (Fla. 15th Cir. Ct.).* According to page 1 of the Motion, Florida is owed $45 million (which has accumulated since June 2015) and will continue to suffer annual losses of approximately $30 million absent the Court's enforcement of the Settlement Agreement. These annual losses are reflected as a $15 million loss in Fiscal Year 2015-16 and a $30 million loss in the forecasted years thereafter.

The adjustments to the forecast since the February 2017 Conference include decreases in the annual percent change in U.S. Cigarette Volume for Fiscal Year 2017-18 through Fiscal Year 2018-19 and updated actuals for Fiscal Year 2016-17 to reflect the Profit Adjustment. After taking account of these changes, the overall forecast for settlement payments was increased by $5.4 million in Fiscal Year 2016-17, and by smaller amounts in the years thereafter.

The table below shows the new projected amounts of settlement payments to the State of Florida and the change from the previous estimate.

	August 2017 Estimated Combined Payments Liability (Millions)	**Change From Previous Estimate (Millions)**
FY 2017-18	367.3	3.7
FY 2018-19	370.1	3.2
FY 2019-20	374.0	3.4
FY 2020-21	378.6	3.6
FY 2021-22	384.1	3.6
FY 2022-23	390.3	3.8

In Fiscal Year 2018-19, $370.1 million is expected from all payments and profit adjustments as well as $6.1 million in transfers from the Lawton Chiles Endowment Fund. Including $25.4 million of unspent (nonrecurring) funds from Fiscal Year 2017-18 and $1.3 million in projected interest earnings, a total of $402.9 million will be available for expenditure in Fiscal Year 2018-19. These figures make no adjustment for the constitutionally required funding for tobacco education and prevention. That financial obligation will be deducted from the trust fund as an expenditure and is estimated to be $70.3 million for Fiscal Year 2018-19.

V. State Transportation Trust Fund and Transportation Revenue

The Revenue Estimating Conference met on August 4, 2017, to consider the forecast of revenues flowing into the State Transportation Trust Fund (STTF). Including the estimates for Fiscal Year 2017-18, overall revenues to the STTF work program period ending in Fiscal Year 2022-23 were decreased by $147.4 million or about 0.6 percent.

For revenues from fuel taxes, the overall forecast was shaped by recent changes in the consumption of motor fuel and other fuels (diesel, aviation and off-highway fuel), changes in the projected fuel tax rates, and changes to the Aviation Fuel Refund forecast for Fiscal Year 2017-18 and forward. The projection for revenues from all types of fuel was decreased by $58.0 million or 0.4 percent over the entire work program period. Within the total for fuel-related taxes, Highway Fuel Sales Tax saw the largest dollar decrease and represented most of the total reduction; these revenues were reduced by $50.8 million or 0.5 percent, due to changes in the fuel tax rate and final consumption data for Fiscal Year 2016-17. Revenues from the Aviation Fuel Tax were also decreased relative to the previous forecast, while those from Off-Highway Fuel Sales Tax were revised upward by $10.3 million or 15.6 percent.

The annual estimates for the Local Option Distribution were virtually unchanged from the previous forecast. Conversely, the annual estimates for the Rental Car Surcharge experienced the largest decline of any tax source in this conference, decreasing by $72.0 million or 7.7 percent through the work program period. This decrease was prompted by lower than expected collections for Fiscal Year 2016-17 and the increasing use of Uber and other transportation network companies that are not subject to the Rental Car Surcharge.

For motor vehicle license and registration related fees, the forecasts were previously adopted by the Highway Safety Licenses and Fees Conference held July 28, 2017. In this work program period, receipts to the STTF from motor vehicle related licenses and fees were decreased by $17.3 million or 0.2 percent. While Motor Vehicle Licenses are up by $33.1 million, all of the other contributing sources are down: Initial Registrations by $40.1 million, Title Fees by $9.3 million, and Motor Carrier Compliance Penalties by $1.0 million during the work program period.

VI. Other Revenue Sources that Primarily Support Education

A. 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 2017 certified school taxable value came in at $1,903.62 billion. The final projection for 2017 was only $3.14 billion or 0.17 percent higher than the previous estimate of $1,900.48 billion adopted in March 2017. At 96 percent, the value of one mill is projected to be $1,827.47 million. As a result, the shape of the new forecast was virtually unchanged from the March forecast, with only modest changes to the projected growth rates.

Florida's housing market continues to drive the shape of the overall forecast. Recent residential data from the Federal Housing Finance Agency price index shows significant value growth in all parts of the state. The new forecast is premised on the belief this value growth will continue, although the pace will moderate in the out-years. This expectation is in line with the forecast adopted by the Florida Economic Estimating Conference.

County (non-school) taxable value is lower than school taxable value due to the greater number of exemptions available to property owners. In recent years, the Revenue Estimating Conference has been forecasting county taxable value separately from school taxable value. County taxable value on January 1, 2017, was $1,735.40 billion. On an annual basis, this represents an increase of $128.20 billion over the prior year, which was a 0.2 percent decrease from the March 2017 forecast ($1,738.29 billion).

July 1, 2017 Certified School Taxable Value

(billions of dollars)	Actual July 1, 2016 Certified School Taxable Value	March 2017 Estimate of July 1, 2017 Certified School Taxable Value	July 1, 2017 Certified School Taxable Value	Change in Estimates (August 17 vs March 17)	Change from 2016 Actual	% Change from 2016 Actual
School Taxable Value	1,771.79	1,900.48	1,903.62	3.14	131.83	7.44%
Real Property	1,653.21	1,783.48	1,780.44	-3.04	127.23	7.70%
Personal Property	112.47	115.28	115.93	0.64	3.46	3.07%
Centrally Assessed Property	1.57	1.64	1.63	-0.01	0.06	4.01%
Value of one mill at 96 percent	1.70	1.82	1.83	0.00	0.13	7.44%

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

January 1, 2017 County Taxable Value

(*billions of dollars*)	Actual 2016 County Taxable Value	March 2017 Estimate of January 1, 2017 County Taxable Value	January 1, 2017 County Taxable Value	Change in Estimates (August 17 vs March 17)	Change from 2016 Actual	% Change from 2016 Actual
County Taxable Value	1,607.19	1,738.29	1,735.40	-2.89	128.20	7.98%
Real Property	1,488.62	1,621.29	1,612.22	-9.08	123.59	8.30%
Personal Property	112.47	115.28	115.93	0.64	3.46	3.07%
Centrally Assessed Property	1.57	1.64	1.63	-0.01	0.06	4.01%

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

Certified School Taxable Value Growth Rates

Year	March 2017	August 2017
2017	7.26%	7.44%
2018	6.59%	6.15%
2019	5.74%	5.90%
2020	5.81%	5.83%
2021	5.70%	5.72%
2022	5.58%	5.54%
2023	N/A	5.50%

B. Gross Receipts Tax and Communications Services Tax

The Revenue Estimating Conference met on July 27, 2017, to adopt a new forecast for the Gross Receipts Tax and the State Sales Tax on Communications Services. For Fiscal Year 2017-18, projected collections from the Gross Receipts Tax (received from taxes on electricity, gas, and certain communications services) were lowered by $5.53 million, and the State Sales Tax on Communications Services projections were increased by $0.91 million relative to the previous estimates. Of note, the refunds associated with In re: AT&T Mobility Wireless Data 265 Services Sales Litigation, 270 F.R.D. 330, (Aug. 11, 2010), will be complete in Fiscal Year 2017-18, producing atypically high growth rates in the 2017-18 and 2018-19 fiscal years for both the Gross Receipts Tax and the State Sales Tax on Communications Services. The growth in both of these years is measured against prior years where the refunds were fully or partially present.

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

[SEE TABLE ON FOLLOWING PAGE]

Gross Receipts Tax – All Sources ($ in millions)					Communications Services Tax – State Sales Tax Component* ($ in millions)		
Fiscal Year	***July Estimate***	***Diff from March Forecast***	***Growth Rate Forecast***		***July Estimate***	***Diff from March Forecast***	***Growth Rate Forecast***
2017-18	1,153.19	-5.53	3.32%		632.41	0.91	6.84%
2018-19	1,181.51	-8.49	2.46%		646.72	0.88	2.26%
2019-20	1,207.37	-10.58	2.19%		648.06	0.89	0.21%
2020-21	1,233.28	-10.67	2.15%		648.76	0.71	0.11%
2021-22	1,259.80	-9.99	2.15%		650.19	0.87	0.22%
2022-23	1,287.93	-11.31	2.23%		652.44	0.88	0.35%

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

Gross Receipts Tax on Utilities... Residential consumption of electricity in Fiscal Year 2016-17 was expected to grow at an annual rate of 1.84 percent by the March Conference and instead grew just 0.17 percent over the prior year, prompting a series of changes to the forecast. The new estimates for electricity assume that potentially milder weather and additional gains in energy efficiency will continue to moderate per capita residential consumption throughout the forecast horizon; however, the commercial and industrial consumption forecasts remain relatively close to the prior projections. Collections from the tax on natural gas also feed into the forecast for the Gross Receipts Tax; these estimates were little changed in total, but both the price and consumption series were adjusted.

State Communications Services Tax, Including Direct-to-Home Satellite Service (CST)... The estimates for Gross Receipts CST and Sales CST are produced by forecasting the individual CST tax bases for cable, wireless, landline (residential and commercial), miscellaneous services, and direct-to-home satellite.

The cable base, given its relative size and projected positive growth averaging 2.00 percent, is the primary driver of CST growth throughout the forecast horizon. While the tax base for miscellaneous services is expected to experience higher growth (averaging 4.28 percent per year) than the cable base, it is a smaller contributor to collections. Similarly, the relatively small tax base for direct-to-home satellite services is forecasted to average 2.01 percent growth per year. Conversely, the wireless tax base is expected to decline throughout the forecast horizon by an annual average of 2.83 percent. The weakest base is landline, which is forecasted to decline on average 3.88 percent per year with the largest forecasted decline occurring in Fiscal Year 2017-18 (5.24 percent).

Gross Receipts CST is derived from two different tax rates plus a portion of direct-to-home satellite collections. First, a tax rate of 2.37 percent is applied to the cable, wireless, landline, and miscellaneous services tax bases. Second, an additional tax rate of 0.15 percent is applied to the same tax bases, excluding landlines in residential households. The dollars generated by both of these tax rates, plus 20.72 percent of total direct-to-home satellite collections, comprise total Gross Receipts CST collections.

Sales CST Collections are generated by applying the current tax rate of 4.92 percent against the cable, wireless, landline, and miscellaneous services tax bases, coupled with 44.32 percent of total direct-to-home satellite collections. The landline tax base is reduced by the residential household telephone exemption for Sales Tax CST.

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

Local Communications Service Tax... The local CST forecast applies an average local CST tax rate of 5.0 percent to the four major bases (cable, wireless, landline, and miscellaneous services) and receives the remaining distribution (35 percent) of the total direct-to-home satellite collections. Like the CST forecasts for Gross Receipts and Sales, the local forecast is expected to decline due to the reduction in the wireless base.

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

Funded by the Gross Receipts Tax, the PECO program provides funding for educational facilities construction and fixed capital outlay needs for school districts, the Florida College System, the State University System, and other public education programs. The Revenue Estimating Conference met to adopt new estimates on August 14, 2017.

The August 2017 PECO forecast was updated to include actual revenues and expenditures through July 2017, the July 2017 Gross Receipts Tax revenue forecast, a revised debt service schedule, adjusted expected project disbursements, and updated interest rates.

The following tables show the estimated amounts available for appropriation to the PECO program under two different scenarios. The first scenario shows maximum cash appropriations assuming no new bonding. The second scenario shows the maximum bonding capacity.

Maximum Possible PECO Trust Fund Appropriation – No Bonding

$ in millions		Mar 2017 REC No Bonding	Aug 2017 REC No Bonding	Difference
FY17-18	Actual Appropriation	337.0	335.6	(1.4)
	Bonds	-	-	-
	Cash	337.0	335.6	(1.4)
FY18-19	Cash Available	356.6	343.5	(13.1)
FY19-20	Cash Available	387.0	377.8	(9.2)
FY20-21	Cash Available	395.6	386.8	(8.7)
FY21-22	Cash Available	415.9	413.6	(2.3)
FY22-23	Cash Available	466.8	471.4	4.6

**Totals may not add due to rounding*

Maximum Possible PECO Trust Fund Appropriation – With Maximum Bonding

$ in millions		Mar 2017 REC Maximum Bonding	Aug 2017 REC Maximum Bonding	Difference
FY17-18	Actual Appropriation	2,757.3	335.6	(2,421.8)
	Bonds	2,532.8	-	(2,532.8)
	Cash	224.5	335.6	111.0
FY18-19	Maximum Available	299.6	2,636.3	2,336.7
	Bonds	48.9	2,401.9	2,353.0
	Cash	250.7	234.4	(16.3)
FY19-20	Maximum Available	510.4	519.7	9.3
	Bonds	248.5	280.0	31.5
	Cash	261.9	239.7	(22.2)
FY20-21	Maximum Available	594.6	531.8	(62.8)
	Bonds	363.9	333.7	(30.2)
	Cash	230.7	198.1	(32.6)
FY21-22	Maximum Available	566.9	536.3	(30.6)
	Bonds	350.4	339.6	(10.8)
	Cash	216.5	196.7	(19.8)
FY22-23	Maximum Available	1,033.2	1,025.5	(7.7)
	Bonds	819.9	822.3	2.4
	Cash	213.3	203.2	(10.1)

**Totals may not add due to rounding*

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 during the decision-making process. If the state's debt service payments are too high relative to its expected revenues, any new debt financings could impact the state's credit rating and its borrowing cost. As a component of this analysis, Florida law designates a benchmark debt ratio, calculated as the annual debt service as a percentage of available revenues, and establishes a six percent target as well as a seven percent maximum cap. To exceed the target, the Legislature must determine that additional debt is in the best interest of the state. To exceed the cap, the Legislature must make a declaration of critical state emergency.

The discussion below reflects some of the key points of the *2016 Debt Report* prepared by the Division of Bond Finance, covering the period June 30, 2015, to June 30, 2016. Florida's peer group and national median comparisons have been updated to reflect more current information. The Division of Bond Finance will release the *2017 Debt Report* in December 2017.

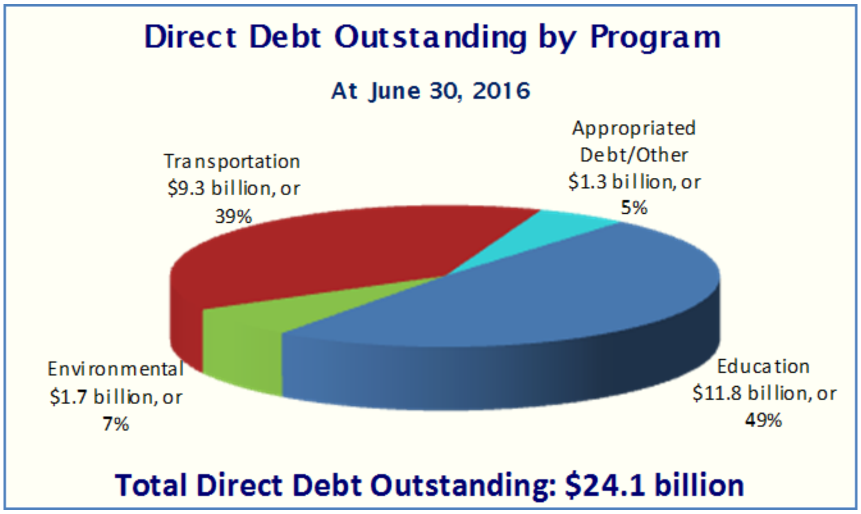
Overview of the State's Credit Ratings

The state maintained its credit ratings during the past year: Standard and Poor's affirmed the state's General Obligation rating at AAA, Fitch Ratings affirmed the state's rating at AAA, and Moody's Investors Service affirmed the state's rating of Aa1, all with stable outlooks. Rating agencies recognize the state's conservative fiscal management, budgeting practices, and adequate reserves as credit strengths. In the future, rating agencies will continue to monitor Florida's economic environment and the state's ability to maintain adequate reserves, structural budget balance, and its pension funding levels.

Debt Outstanding

Total state direct debt outstanding was $24.1 billion as of June 30, 2016; approximately $1.6 billion less than the prior fiscal year. Net tax-supported debt for programs supported by state tax revenues or tax-like revenues totaled $20.1 billion, and self-supporting debt, representing debt secured by revenues generated from operating bond-financed facilities, totaled $4.0 billion. Additionally, indirect state debt at June 30, 2016, was approximately $11.8 billion, $200 million more than the previous year-end. Indirect debt is either not secured by traditional state revenues or is an obligation of a legal entity other than the state. Indirect debt has become a more significant part of the state's overall debt profile due to borrowings by State University Direct Support Organizations (DSOs) and insurance-related entities, such as the Citizens Property Insurance Corporation and the Florida Hurricane Catastrophe Fund Finance Corporation; however, indirect debt is not included in state debt ratios or the debt affordability analysis.

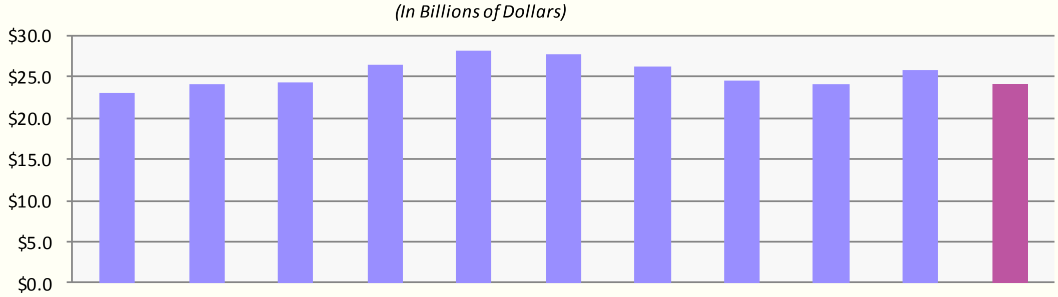
[SEE GRAPH ON FOLLOWING PAGE]



Decrease in Debt

Total state debt increased from $21.2 billion in Fiscal Year 2003-04 to $28.2 billion in Fiscal Year 2009-10. Reversing the long-term trend of increases, total state debt declined by approximately $4.0 billion to $24.2 billion over the four-year period running from July 2010 to June 2014: $500 million in Fiscal Year 2010-11, nearly $1.5 billion in Fiscal Year 2011-12, $1.6 billion in Fiscal Year 2012-13, and $400 million in Fiscal Year 2013-14. However, total state direct debt outstanding at June 30, 2015, increased to $25.7 billion, primarily due to the I-4 Ultimate Project (I-4 Project). Debt decreased to $24.1 billion in Fiscal Year 2015-16, resuming the trend beginning in Fiscal Year 2010-11. This was $4.1 billion less than the $28.2 billion in Fiscal Year 2009-10.

Historical Total Direct Debt Outstanding
Fiscal Years 2006 through 2016
(In Billions of Dollars)



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Outstanding	$23.0	$24.1	$24.3	$26.4	$28.2	$27.7	$26.2	$24.6	$24.2	$25.7	$24.1
Annual Change	-	1.1	0.2	2.1	1.8	(0.5)	(1.4)	(1.6)	(0.4)	1.5	(1.6)
% Change	-	4.6%	0.7%	8.8%	6.7%	-1.7%	(5.2)%	(6.2)%	(1.5)%	6.2%	(6.3)%

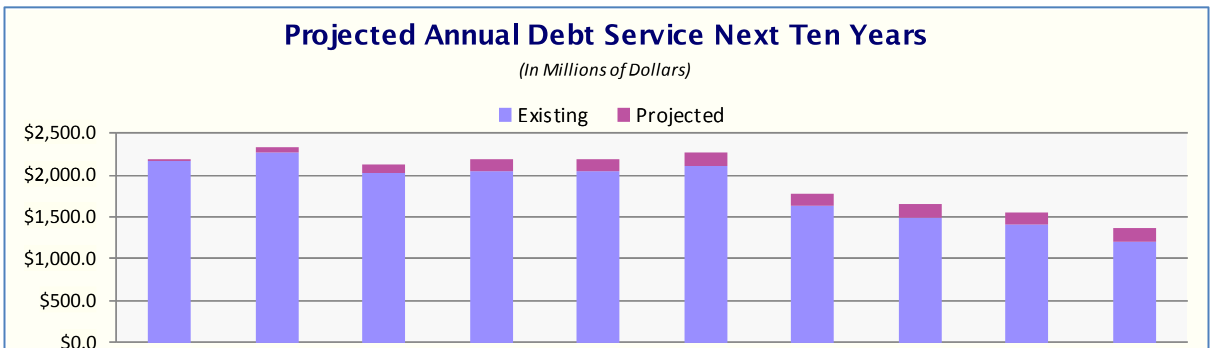
Estimated Debt Issuance

Approximately $2.2 billion of debt was projected to be issued over the next ten years for all of the state's currently authorized financing programs in the *2016 Debt Report*. This estimate was approximately $0.8 billion more than future debt issuance projected at June 30, 2015. The increase primarily resulted from the inclusion of the Department of Transportation Finance Corporation.

During the 2014 Session, the Legislature passed House Bill 5601, which reduced the Sales Tax rate for electrical power by 2.65 percent and increased the Gross Receipts Tax rate on electricity by 2.6 percent. This change increased PECO bonding capacity; however, no additional issuance is factored into the projected issuance or benchmark debt ratio analysis included in the *2016 Debt Report* beyond the subsequent legislative approval to issue $275 million in PECO bonds as authorized during the 2016 Legislative Session. (See the PECO discussion in the Revenue Projections section of the Outlook for additional detail.)

Estimated Annual Debt Service Requirements

Annual debt service is expected to be approximately $2.2 billion in Fiscal Year 2016-17 and is projected to increase in Fiscal Year 2017-18 to approximately $2.3 billion, reflecting an increase in mandatory payments on the Department of Transportation's existing long-term P3 contracts, including the I-4 Ultimate contract.

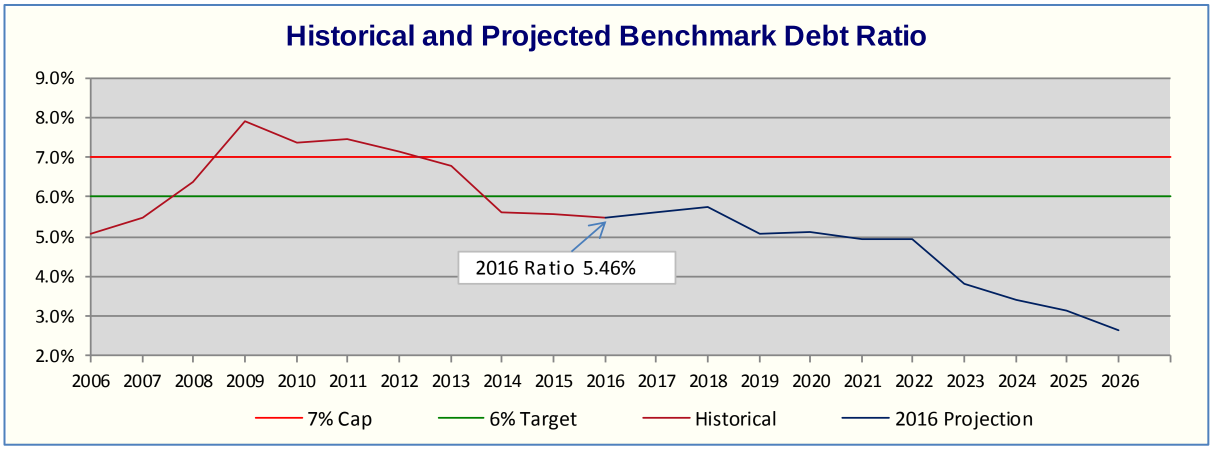


	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Existing	$ 2,159.5	$ 2,276.2	$ 2,026.4	$ 2,043.6	$ 2,047.6	$ 2,106.4	$ 1,625.9	$ 1,497.0	$ 1,399.0	$ 1,211.3
Projected	10.0	43.2	91.0	138.7	147.4	157.7	157.7	157.7	157.7	157.7
Total	$ 2,169.5	$ 2,319.3	$ 2,117.4	$ 2,182.4	$ 2,195.0	$ 2,264.1	$ 1,783.7	$ 1,654.7	$ 1,556.7	$ 1,369.0

Debt Ratios

The state's benchmark debt ratio of debt service to revenues available to pay debt service decreased to 5.46 percent for Fiscal Year 2015-16. As projected, the benchmark debt ratio is expected to remain below the six percent policy target through Fiscal Year 2020-21. The projected benchmark debt ratio could increase if revenues do not grow as anticipated or additional debt is authorized.

[SEE GRAPH AND TABLE ON FOLLOWING PAGE]



Benchmark Debt Ratio Projection

	Actual 2015	Actual 2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
2016 Projection	5.58%	**5.46%**	5.63%	5.75%	5.08%	5.10%	4.95%	4.93%	3.79%	3.40%	3.11%	2.65%

A comparison of debt ratios to national and peer group averages indicates that Florida's debt ratios are generally higher than the national average but lower than the peer group averages across all metrics. The state's ranking among the eleven-state peer group has improved over the last ten years. From 2015 to 2016, the state moved from being the fifth to sixth highest for the ratio of debt service to revenues within the peer group; remained at eighth highest in debt per capita; and remained at eighth highest for debt as a percentage of personal income. The state also moved from being the fifth to sixth highest for the ratio of net tax-supported debt as a percentage of State Gross Domestic Product (GDP), an additional metric used for comparison.

Debt Ratios
2016 Comparison of Florida to Peer Group and National Medians

	Net Tax-Supported Debt Service as a % of Revenues	Net Tax-Supported Debt Per Capita	Net Tax-Supported Debt as a % of Personal Income	Net Tax-Supported Debt as a % of GDP
Florida	5.46%	$1,001	2.20%	2.23%
Peer Group Mean	5.56%	$1,667	3.25%	2.82%
National Median	4.10%	$1,006	2.50%	2.23%

Planned Expenditures from Estimated Funds

Recurring ($ millions)	2017-18	2018-19	2019-20	2020-21
General Revenue	30,705.9	32,075.4	34,084.1	35,708.6
annualization		*38.4*	*0.0*	*0.0*
change from drivers		*1,331.1*	*2,008.7*	*1,624.5*
Educational Enhancement TF	1,777.7	2,125.5	1,927.3	1,954.4
change from drivers		*347.8*	*(198.2)*	*27.1*
State School TF	146.3	116.8	111.0	123.7
change from drivers		*(29.5)*	*(5.8)*	*12.7*
Tobacco Settlement TF	368.1	377.6	382.0	387.2
change from drivers		*9.5*	*4.4*	*5.2*
TOTAL	32,998.0	34,695.3	36,504.4	38,173.9
change from drivers & ann.		*1,697.3*	*1,809.1*	*1,669.5*

Nonrecurring ($ millions)	2017-18	2018-19	2019-20	2020-21
General Revenue	934.9	797.7	742.7	658.0
Educational Enhancement TF	206.9	0.0	0.0	0.0
State School TF	10.3	0.0	0.0	0.0
Tobacco Settlement TF	0.0	13.8	0.0	0.0
TOTAL	1,152.1	811.5	742.7	658.0

TOTAL ($ millions)	2017-18	2018-19	2019-20	2020-21
General Revenue	31,640.8	32,873.1	34,826.8	36,366.6
minus nonrecurring		*(934.9)*	*(797.7)*	*(742.7)*
plus annualization		*38.4*	*0.0*	*0.0*
plus driver impact		*2,060.6*	*2,678.5*	*2,228.7*
plus BSF impact		*68.2*	*72.9*	*53.8*
net budget impact		1,232.3	1,953.7	1,539.8
Educational Enhancement TF	1,984.6	2,125.5	1,927.3	1,954.4
minus nonrecurring		*(206.9)*	*0.0*	*0.0*
plus annualization		*0.0*	*0.0*	*0.0*
plus driver impact		*347.8*	*(198.2)*	*27.1*
budget impact		140.9	(198.2)	27.1
State School TF	156.6	116.8	111.0	123.7
minus nonrecurring		*(10.3)*	*0.0*	*0.0*
plus annualization		*0.0*	*0.0*	*0.0*
plus driver impact		*(29.5)*	*(5.8)*	*12.7*
budget impact		(39.8)	(5.8)	12.7
Tobacco Settlement TF	368.1	391.4	382.0	387.2
minus nonrecurring		*0.0*	*(13.8)*	*0.0*
plus annualization		*0.0*	*0.0*	*0.0*
plus driver impact		*23.3*	*4.4*	*5.2*
budget impact		23.3	(9.4)	5.2

Key Budget Driver Worksheet

Long-Range Financial Outlook Issues Summary Fiscal Year 2018-19 through Fiscal Year 2020-21	Fiscal Year 2018-19		Fiscal Year 2019-20		Fiscal Year 2020-21	
	Total GR	Total Major TF	Total GR	Total Major TF	Total GR	Total Major TF
Critical Needs (Includes Mandatory Increases Based on Estimating Conferences and Other Essential Needs)						
PRE K - 12 EDUCATION						
1 Maintain Current Budget - Florida Education Finance Program	19.8	134.2	93.1	(93.1)	(20.8)	20.8
2 Workload and Enrollment - Florida Education Finance Program	197.0	0.0	156.8	0.0	198.7	0.0
3 Adjustment to Allow Required Local Effort to Increase with Tax Roll Growth - Florida Education Finance Program	(509.1)	0.0	(514.5)	0.0	(535.5)	0.0
4 Workload and Enrollment - Voluntary Prekindergarten Education Program	3.4	0.0	6.1	0.0	5.4	0.0
HIGHER EDUCATION						
5 Workload and Enrollment - Bright Futures and Children and Spouses of Deceased/Disabled Veterans	(0.1)	(50.0)	0.6	13.8	0.6	7.3
6 Educational Enhancement Trust Fund Adjustment	(234.1)	234.1	124.8	(124.8)	(11.6)	11.6
HUMAN SERVICES						
7 Medicaid Program	325.7	365.9	525.2	513.5	361.5	709.1
8 Kidcare Program	1.7	46.0	93.6	(49.6)	41.8	5.5
9 Temporary Assistance for Needy Families Cash Assistance	(2.9)	0.0	(0.1)	0.0	0.0	0.0
10 Tobacco Settlement Trust Fund Adjustment	(8.1)	8.1	(3.3)	3.3	(3.6)	3.6
11 Tobacco Awareness Constitutional Amendment	0.0	1.4	0.0	1.1	0.0	1.6
CRIMINAL JUSTICE						
12 Criminal Justice Estimating Conference - Prison Population Adjustments	(8.4)	0.0	(1.5)	0.0	(1.2)	0.0
TRANSPORTATION AND ECONOMIC DEVELOPMENT						
13 State Match for Federal Emergency Management Agency Funding - State Disaster Funding (Declared Disasters)	67.0	0.0	37.2	0.0	15.9	0.0
GENERAL GOVERNMENT						
14 Non-Florida Retirement System Pensions and Benefits	(0.1)	0.0	0.1	0.0	0.1	0.0
15 Fiscally Constrained Counties - Property Tax	28.7	0.0	23.4	0.0	24.3	0.0
ADMINISTERED FUNDS AND STATEWIDE ISSUES						
16 Risk Management Insurance	0.0	0.0	4.4	2.5	14.2	8.1
17 Division of Administrative Hearings Assessments	0.1	(0.1)	0.0	0.0	0.0	0.0
18 Increases in Employer-Paid Benefits for State Employees	137.2	63.3	207.5	111.0	227.6	123.9
Subtotal Critical Needs	**17.8**	**802.9**	**753.4**	**377.7**	**317.4**	**891.5**

Long-Range Financial Outlook Issues Summary Fiscal Year 2018-19 through Fiscal Year 2020-21		Fiscal Year 2018-19		Fiscal Year 2019-20		Fiscal Year 2020-21	
		Total GR	Total Major TF	Total GR	Total Major TF	Total GR	Total Major TF
Other High Priority Needs (Includes Other Historically Funded Issues)							
PRE K - 12 EDUCATION							
19	Educational Enhancement Trust Fund Adjustment - Bright Futures Scholarship Increase - Florida Education Finance Program	29.5	(29.5)	1.4	(1.4)	0.9	(0.9)
20	Increase Total Funds per FTE Student - Florida Education Finance Program	357.5	0.0	365.9	0.0	380.0	0.0
21	Maintain Fiscal Year 2017-18 Total Amount of the Required Local Effort - Florida Education Finance Program	425.8	0.0	429.2	0.0	446.3	0.0
22	Additional Cost Required to Implement Both Increase Total Funds per Student and Maintain the Fiscal Year 2017-18 Required Local Effort - Florida Education Finance Program	16.1	0.0	21.1	0.0	21.7	0.0
23	Workload and Enrollment - Other Pre K-12 Programs	111.5	0.0	111.5	0.0	111.5	0.0
HIGHER EDUCATION							
24	Bright Futures - Costs to Pay Florida Academic Scholars - Tuition Differential and Technology Fees	0.0	71.7	0.0	3.5	0.0	2.3
25	Educational Enhancement Trust Fund Adjustment - Based on Additional Costs for the Tuition Differential and Technology Fees	42.2	(42.2)	2.0	(2.0)	1.3	(1.3)
26	Maintain Current Budget - Higher Education	40.0	0.0	0.0	0.0	0.0	0.0
27	Workload - Florida Colleges	23.5	0.0	23.5	0.0	23.5	0.0
28	Workload - State Universities	169.5	0.0	169.5	0.0	169.5	0.0
29	Workload and Adjustments - Other Higher Education Programs	43.9	0.0	43.9	0.0	43.9	0.0
30	Anticipated New Space Costs for Colleges and Universities	2.5	0.0	2.5	0.0	2.5	0.0
EDUCATION FIXED CAPITAL OUTLAY							
31	Education Fixed Capital Outlay	100.2	0.0	65.9	0.0	56.9	0.0
HUMAN SERVICES							
32	Medicaid Services	26.4	42.3	26.4	42.3	26.4	42.3
33	Children and Family Services	42.2	63.1	54.3	49.3	54.3	49.3
34	Health Services	20.0	62.5	20.0	62.5	20.0	62.5
35	Developmental Disabilities	35.1	93.2	35.1	93.2	35.1	93.2
36	Veterans' Services	2.0	4.7	2.0	4.7	2.0	0.0
37	Elderly Services	5.9	0.5	5.9	0.5	5.9	0.5
38	Human Services Information Technology/Infrastructure	3.2	16.5	3.2	15.2	2.3	13.5

Continued on the following page.

Long-Range Financial Outlook Issues Summary Fiscal Year 2018-19 through Fiscal Year 2020-21		Fiscal Year 2018-19		Fiscal Year 2019-20		Fiscal Year 2020-21	
		Total GR	Total Major TF	Total GR	Total Major TF	Total GR	Total Major TF
Other High Priority Needs (Includes Other Historically Funded Issues)							
CRIMINAL JUSTICE							
39	Justice Administration Entities - Due Process and Conflict Case Costs	2.6	0.0	2.6	0.0	2.6	0.0
40	Department of Corrections - Disability Rights Florida, Inc., Settlement Agreement - Inmates with Mobility, Hearing, and Vision Disabilities	6.4	0.0	2.3	0.0	0.2	0.0
41	Department of Corrections - Contracted Inmate Health Services	27.1	0.0	17.1	0.0	17.1	0.0
42	Department of Corrections - Pharmaceutical Drugs - Compliance with Standards of Care	8.3	0.0	8.3	0.0	8.3	0.0
43	Department of Juvenile Justice - Prevention and Intervention Programs	1.3	0.0	1.3	0.0	1.3	0.0
TRANSPORTATION AND ECONOMIC DEVELOPMENT							
44	Department of Transportation Adopted Work Program (Fiscal Years 2018-2021)	0.0	8,633.6	0.0	7,865.0	0.0	7,868.2
45	Economic Development and Workforce Programs	49.1	0.0	49.1	0.0	49.1	0.0
46	National Guard Armories and Military Affairs Priorities	5.7	0.0	5.7	0.0	3.7	0.0
47	Library, Cultural, Historical, and Election Priorities	70.3	0.0	66.3	0.0	66.7	0.0
NATURAL RESOURCES							
48	Water and Land Conservation	99.2	215.2	99.2	223.2	99.2	231.3
49	Other Agricultural and Environmental Programs	135.8	0.5	135.6	0.5	136.0	0.5
GENERAL GOVERNMENT							
50	Other General Government Priorities	15.2	21.5	35.9	22.1	35.2	22.6
51	State Building Pool - General Repairs and Maintenance	17.0	11.2	47.0	11.2	17.0	11.2
ADMINISTERED FUNDS AND STATEWIDE ISSUES							
52	State Employee Pay Issues	37.9	27.2	37.9	27.2	37.9	27.2
53	Maintenance, Repairs, and Capital Improvements - Statewide Buildings - Critical	69.9	8.9	33.5	8.9	33.0	8.9
	Subtotal Other High Priority Needs	**2,042.8**	**9,200.9**	**1,925.1**	**8,425.9**	**1,911.3**	**8,431.3**
	Total Tier 1 - Critical Needs	17.8	802.9	753.4	377.7	317.4	891.5
	Total - Other High Priority Needs	2,042.8	9,200.9	1,925.1	8,425.9	1,911.3	8,431.3
	Total Tier 2 - Critical Needs Plus Other High Priority Needs	2,060.6	10,003.8	2,678.5	8,803.6	2,228.7	9,322.8

Key Budget Drivers

For each policy area, a specific analysis is provided for each of the key budget drivers. The numbering convention used below matches the numbers applied to each of the drivers on the Key Budget Driver Worksheet. As on the Worksheet, Critical Needs are discussed first. They are followed by the Other High Priority Needs.

Critical Needs

Pre K-12 Education (Drivers #1 - #4)

For Fiscal Year 2017-18, the Florida Education Finance Program (FEFP) provides $7,297.08[7] in total funds per unweighted full-time equivalent (FTE) student. Together, Key Budget Drivers #1 through #3 reflect the total state funding necessary to maintain the Fiscal Year 2017-18 level of funding per FTE student throughout the forecast period, assuming that the Required Local Effort and Discretionary Taxes from the 0.748 levy are allowed to increase with tax roll growth.

1. Maintain Current Budget – Florida Education Finance Program

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

State FEFP revenues are derived from three fund sources:

- General Revenue Fund – comprised of several state taxes and selected fees; the state's sales tax is the biggest source of revenue.

- Educational Enhancement Trust Fund (EETF) – comprised of net proceeds from lottery ticket sales and slot machine revenues appropriated for both the public K-12 and higher education systems.

- State School Trust Fund (SSTF) – comprised primarily of revenue from unclaimed property in Florida appropriated exclusively for the public K-12 education system.

Local FEFP revenues are derived from property taxes levied by Florida's 67 counties. To participate in the state allocation of FEFP funds, a school district must levy the millage rate set for its Required Local Effort (RLE) from property taxes. The Legislature sets the aggregate amount of the RLE in the General Appropriations Act. Each school district's share of this

7 As of the 2017-18 FEFP 2nd Calculation which is available here: http://www.fldoe.org/core/fileparse.php/7507/urlt/17182ndCalc.pdf

amount is based on the school district's certified property tax valuations and each school district's required millage rate as established by the Commissioner of Education. In addition to the RLE millage, each school district board may levy a nonvoted current operating discretionary millage. The Legislature annually prescribes in the General Appropriations Act the maximum amount of millage a district may levy; the current maximum amount is 0.748 mills.

Recurring state funds are provided as Critical Needs funding in Fiscal Year 2018-19 to restore $154.0 million in nonrecurring funds appropriated for the FEFP in Fiscal Year 2017-18.

In addition, the July and August 2017 revenue estimating conferences projected an increase in revenue in the EETF and a decrease in revenue in the SSTF. When compared to the recurring appropriations from both trust funds, a surplus of $134.2 million is available to restore the nonrecurring funds ($163.7 million surplus in EETF plus a $29.5 million shortfall in SSTF funds). With the overall increase in available trust funds, an additional $19.8 million is needed over the $134.2 million to restore the total $154.0 million needed to maintain the level of the Fiscal Year 2018-19 FEFP appropriation. (See Driver #6 for additional details.)

2. Workload and Enrollment – Florida Education Finance Program

General Revenue funds are provided as Critical Needs funding for projected enrollment growth in the Florida Education Finance Program.

Enrollment growth for the three forecast years is based on estimates from the July 2017 Education Estimating Conference. For Fiscal Year 2018-19, the projected enrollment growth is an additional 27,184 FTE; which results in an estimated $197.0 million necessary to maintain the current level of $7,297.08 in total funds per student. For the additional 21,482 FTE in Fiscal Year 2019-20, an estimated $156.8 million is needed, and $198.7 million is needed for the additional 27,231 FTE in Fiscal Year 2020-21. Enrollment over the three-year forecast period is estimated to increase in total by 75,898 FTE.

	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21
Workload and Enrollment – FEFP	$197.0 million	$156.8 million	$198.7 million

3. Adjustment to Allow Required Local Effort to Increase with Tax Roll Growth – Florida Education Finance Program

The Florida Education Finance Program (FEFP) allocates funding to school districts for K-12 public school operations based on shares of state funds and local funds generated from ad valorem revenues. In order to ensure equalized funding, the FEFP takes into account the local property tax base while adjusting state funding to each district based on the district's ability to generate local ad valorem revenues. As discussed in Driver #1, each school district participating in the state allocation of funds for the current operation of schools must levy the millage rate set for its Required Local Effort (RLE) from property taxes. The Legislature establishes the total statewide amount for the RLE annually in the General Appropriations Act. Each district's millage rate is subsequently determined by the Commissioner of Education based on the statewide average following certification of the school taxable value by the Department of Revenue.

Funding projections for this FEFP Driver are based on maintaining the Fiscal Year 2017-18 certified millage rates (i.e., 4.308 for statewide RLE and 0.748 for nonvoted discretionary) throughout the three-year forecast period. The tax rolls for Fiscal Years 2018-19 through 2020-21, as projected by the August 2017 Revenue Estimating Conference, provide increased taxable value. As a result, over the three-year forecast period, there is an increase in ad valorem revenue for public schools with a commensurate reduction in state funds as provided in the table below.

Ad Valorem Revenue	**Fiscal Year 2017-18***	**Fiscal Year 2018-19**	**Fiscal Year 2019-20**	**Fiscal Year 2020-21**
School Taxable Value Growth		6.15%	5.90%	5.83%
FEFP Ad Valorem Revenue	$8,972 million	$9,481 million	$9,996 million	$10,531 million
Increase in Ad Valorem Revenue		$509.1 million	$514.5 million	$535.5 million
Adjustment to Allow RLE to Increase with Tax Roll Growth		($509.1) million	($514.5) million	($535.5) million

**2017-18 is based on the FEFP 2nd calculation using the certified school taxable value and millage rate.*

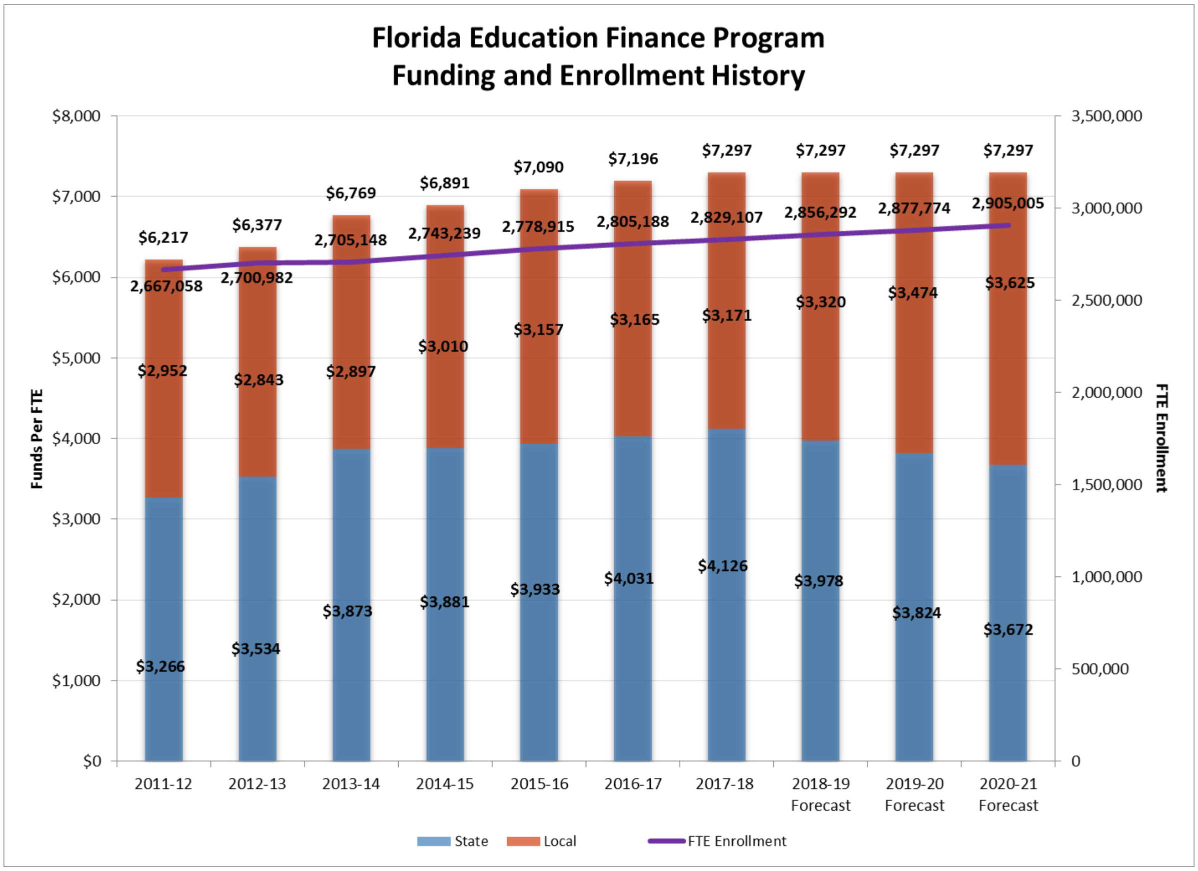
The combination of Key Budget Drivers #1 through #3 maintains the level of total funds per student for Fiscal Years 2018-19 through 2020-21, with the assumption that the RLE and discretionary millage rates remain constant, allowing local FEFP revenue to grow.

Key Budget Drivers #1 - #3 Results	**Fiscal Year 2018-19**	**Fiscal Year 2019-20**	**Fiscal Year 2020-21**
1. Maintain Current Budget	$154.0 million	$0 million	$0 million
2. Workload and Enrollment	$197.0 million	$156.8 million	$198.7 million
3. Adjustment to Allow RLE to Increase with Tax Roll Growth	($509.1) million	($514.5) million	($535.5) million
FEFP State Funds Needed in the Outlook	**($158.2) million**	**($357.8) million**	**($336.8) million**

Note: Totals may not add due to rounding.

The following graph displays the enrollment and state and local funds per student history for the FEFP. The total funds per student are maintained at the 2017-18 amount of $7,297.08 for each of the forecast years.

[SEE GRAPH ON FOLLOWING PAGE]



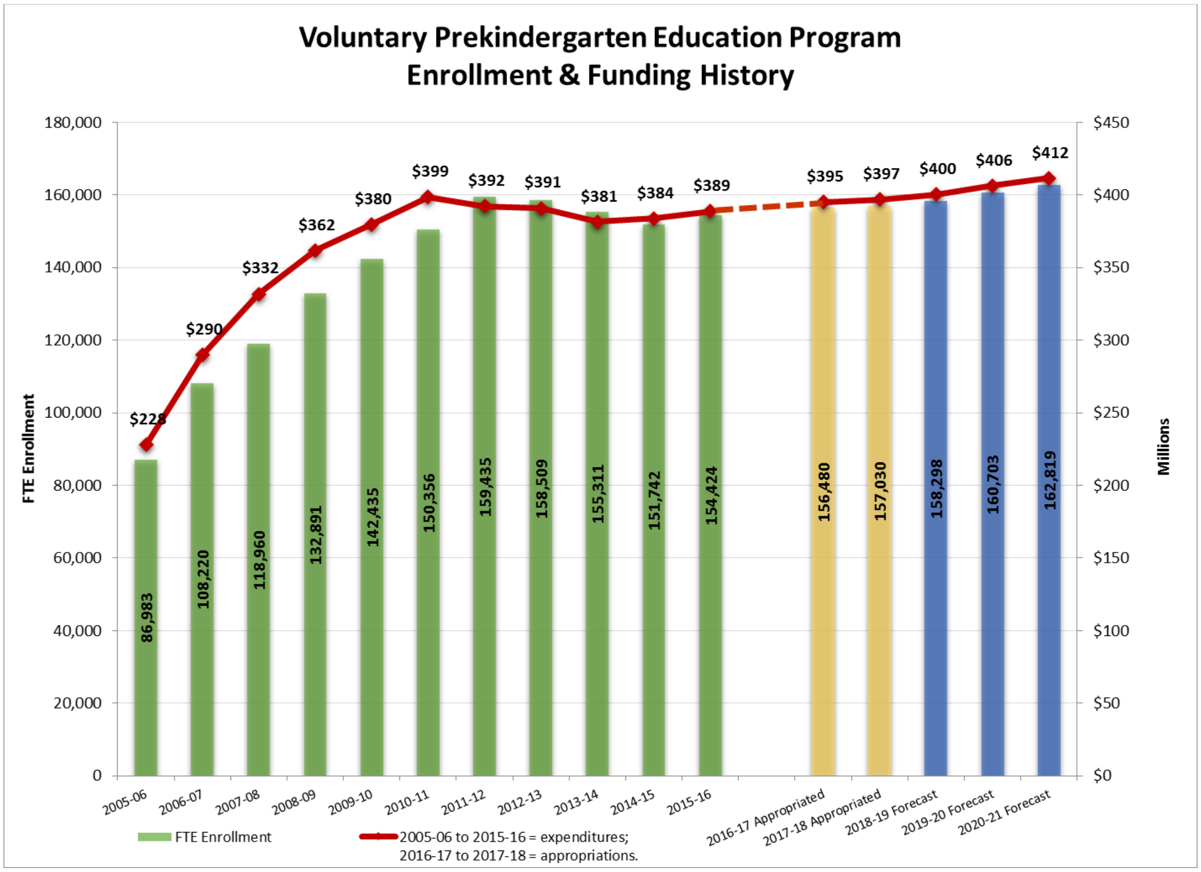
4. Workload and Enrollment – Voluntary Prekindergarten Education Program

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

Critical Needs funding from state funds is projected for enrollment increases in the VPK program, as determined by the August 2017 Early Learning Programs Estimating Conference. Enrollment changes are estimated to cost $3.4 million based on a projected increase of 1,269 FTE over the prior year's appropriated level in Fiscal Year 2018-19,[8] $6.1 million for an additional 2,405 FTE in Fiscal Year 2019-20, and $5.4 million for an additional 2,116 FTE in

[8] Projected Fiscal Year 2017-18 VPK FTE enrollment was subsequently reduced by the Conference. The revised year-over-year growth between Fiscal Year 2017-18 and Fiscal Year 2018-19 is projected to be 2,515 FTE.

Fiscal Year 2020-21. Total enrollment growth over the three-year forecast period is estimated to be 5,790 FTE for funding purposes. Funding per student is maintained at the Fiscal Year 2017-18 base student allocation (BSA) amount of $2,437 for the school year program and $2,080 for the summer program for each of the forecast years.



Note: Fiscal Years 2005-06 through Fiscal Year 2015-16 are final enrollment numbers adopted by the Early Learning Programs Estimating Conference. Fiscal Years 2016-17 and 2017-18 are held to the appropriated level for the purposes of this graph. Based on the August 2017 Conference, the forecasted enrollment is 153,949 for Fiscal Year 2016-17 and 155,784 for Fiscal Year 2017-18.

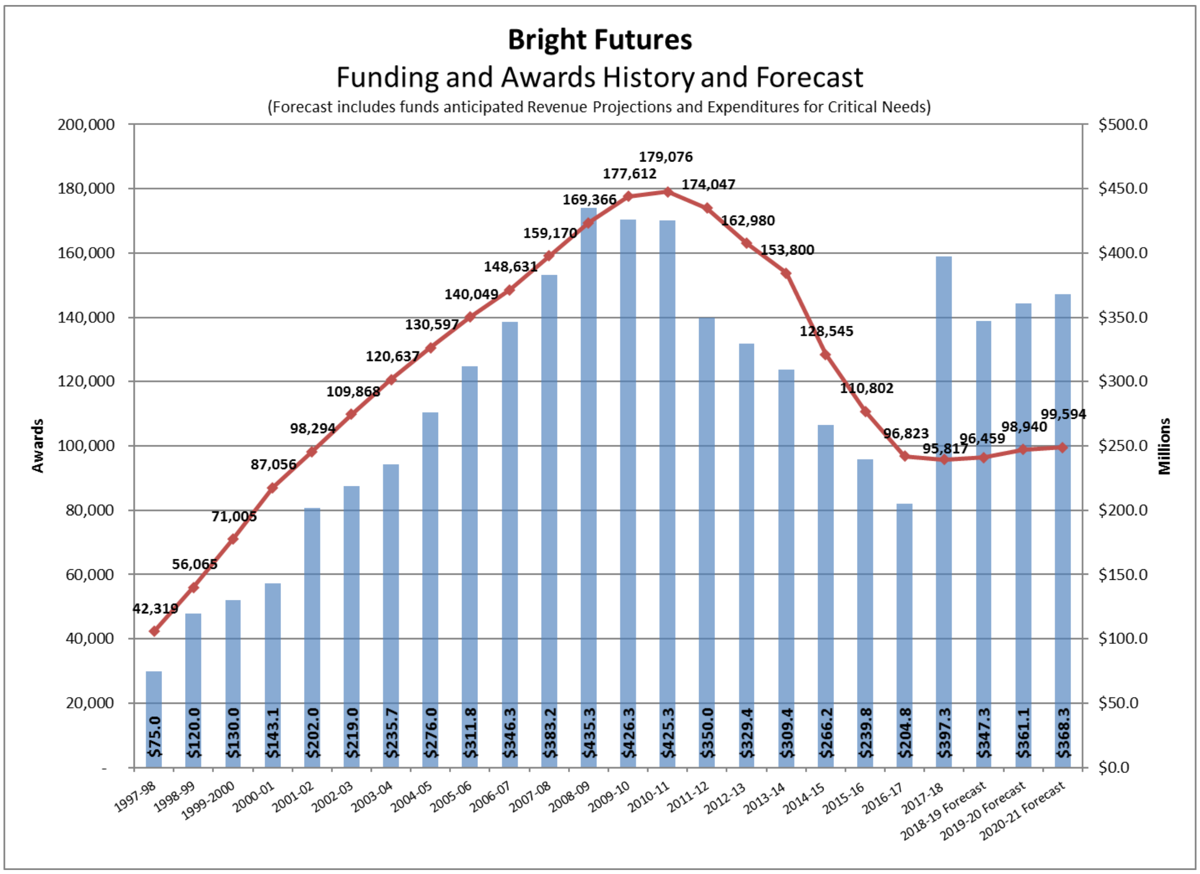
Higher Education (Drivers #5 & #6)

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

Bright Futures

The Bright Futures Scholarship program provides merit-based college scholarships to students who achieve certain academic levels in high school. Critical Needs funding for the Bright Futures program is based on the number of eligible recipients projected by the August 2017 Student Financial Aid Estimating Conference through Fiscal Year 2020-21. The forecast projects 3,777 additional eligible students for Bright Futures over the three-year period, with 642 additional eligible students in Fiscal Year 2018-19; 2,481 additional eligible students in Fiscal Year 2019-20; and 654 additional students in Fiscal Year 2020-21.

The funds provided for the Bright Futures program in this Critical Needs driver are sufficient to pay 100 percent of tuition and fees, excluding the tuition differential and technology fees, for Florida Academic Scholars (FAS) throughout the forecast period. Although there is an increase in enrollment for Fiscal Year 2018-19, there is a decreased funding need of $50 million from the Educational Enhancement Trust Fund (EETF). The decrease in funding is attributable to a reduction in recurring funds associated with the tuition differential and technology fees, which are not included in this driver, but were provided in the Fiscal Year 2017-18 General Appropriations Act (GAA). The statutory authority to pay these additional fees was provided in CS/CS/SB 374, which was vetoed by the Governor. Subsequent fiscal years' funding increases provide 100 percent of tuition and fees only as specified in statute and are based on the projected increased enrollment, which results in increased funding needs of $13.8 million in Fiscal Year 2019-20 and $7.3 million in Fiscal Year 2020-21. These dollars are provided through the EETF.



Children and Spouses of Deceased/Disabled Veterans

The Children and Spouses of Deceased/Disabled Veterans (CSDDV) Scholarship program provides scholarships for dependent children or unremarried spouses of Florida veterans or service members who died as a result of service-connected injuries, diseases, or disabilities sustained while on active duty or who have been certified by the Florida Department of Veterans' Affairs as having service-connected 100 percent permanent and total disabilities. An additional 426 students are projected to be eligible for funding over the next three years. The anticipated number of CSDDV eligible recipients results in a decrease in recurring General Revenue funding of $97,787 in Fiscal Year 2018-19 and increases of $588,028 in Fiscal Year

2019-20, and $628,038 in Fiscal Year 2020-21. The funding levels are based on the latest enrollment projections adopted by the August 2017 Student Financial Aid Estimating Conference.

6. Educational Enhancement Trust Fund Adjustment

The Long-Range Financial Outlook anticipates changes in Educational Enhancement Trust Fund (EETF) revenues and budget requirements for funding the Bright Futures program (Driver #5) in each year of the plan. For Fiscal Year 2018-19, after maintaining approximately a $60 million reserve balance, a total of $397.8 million is available to be shifted from General Revenue (GR) to the EETF in other education program areas. Of the total fund shift from GR to the EETF, $234.1 million is in Higher Education and $163.7 million is in Pre K-12 Education (included in Driver #1). Due to a decline in EETF in 2019-20, the total fund shift in Fiscal Year 2019-20 from EETF to GR is reduced by $212.1 million ($124.8 million in Higher Education and $87.3 million in Pre K-12 Education). Due to a slight increase in EETF revenues in Fiscal Year 2020-21, an additional fund shift in Fiscal Year 2020-21 from GR to EETF is made of $19.7 million ($11.6 million in Higher Education and $8.1 million in Pre K-12).

Human Services (Drivers #7 - #11)

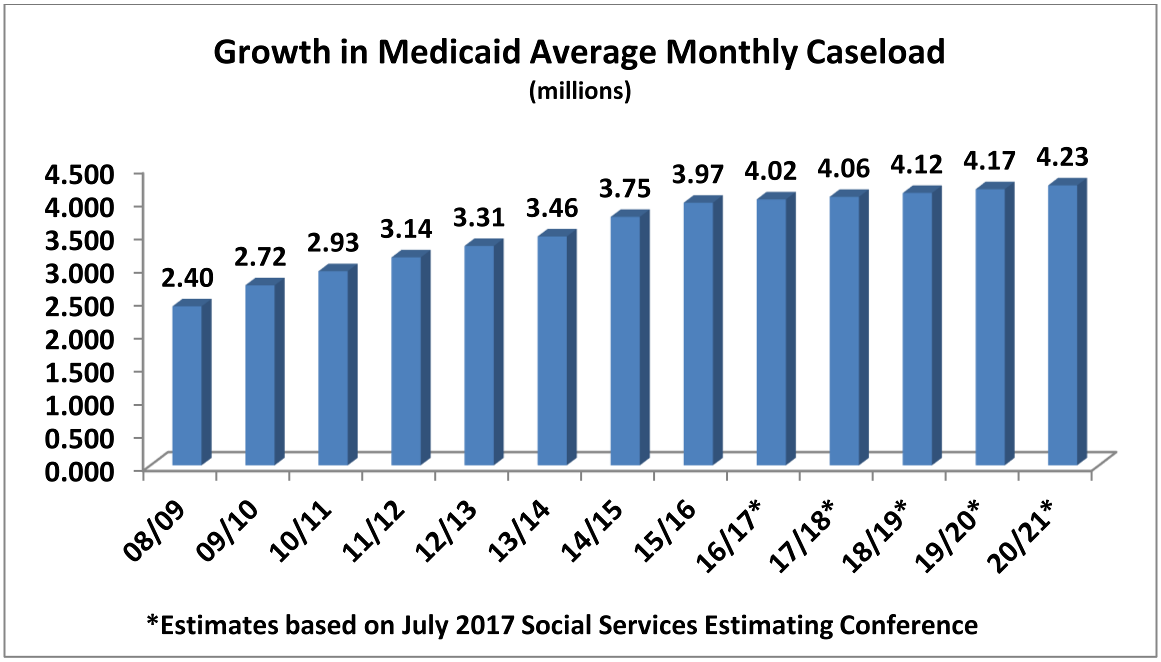
7. Medicaid Program

The Medicaid program (Title XIX of the Social Security Act) provides health care coverage to certain persons who qualify as low-income children, elderly, disabled, or families with dependent children. Medicaid is a federal and state matching program. It is the largest single program in the state budget, representing 32.11 percent of the total state budget, and is also the largest source of federal funding for the state.

Caseload – In Fiscal Year 2017-18, Medicaid caseloads enrollment is expected to grow by 38,028 to just over 4.06 million beneficiaries, a 0.95 percent increase from Fiscal Year 2016-17.

Enrollment is expected to continue increasing in the forecast years at slightly higher rates than in the 2017-18 fiscal year. Enrollment in Fiscal Year 2018-19 is forecast to rise to 4.12 million beneficiaries, an increase of 1.44 percent from the previous year. Enrollment is forecast to increase to 4.17 million beneficiaries in Fiscal Year 2019-20, a 1.40 percent increase over the previous year. Medicaid enrollment is expected to increase again in Fiscal Year 2020-21 to over 4.23 million beneficiaries, a 1.38 percent increase over the previous year.

[SEE GRAPH ON FOLLOWING PAGE]



Medicaid Caseload Estimates

	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21
Caseload	4,056,582	4,115,027	4,172,754	4,230,276
Increase		58,445	57,727	57,522
Percent		1.44%	1.40%	1.38%

Expenditures – In Fiscal Year 2017-18, Medicaid service expenditures are expected to top $26 billion for the first time, reaching $26.8 billion. These expenditures are expected to decrease to $26.1 billion in Fiscal Year 2018-19, a 2.8 percent decline from the previous fiscal year caused in part by the elimination of the Low Income Pool Program (LIP). Although the waiver authorizing LIP has been extended through Fiscal Year 2021-22, LIP was funded with nonrecurring funds in Fiscal Year 2017-18 due to the final terms and conditions being approved after the conclusion of the 2017 Legislative Session. LIP funding is not included in any of the Outlook years. In Fiscal Year 2019-20, Medicaid service expenditures are expected to increase to $27.1 billion, a 4.0 percent increase, and expenditures of $28.2 billion are expected for Fiscal Year 2020-21, an increase of 3.9 percent over Fiscal Year 2019-20.

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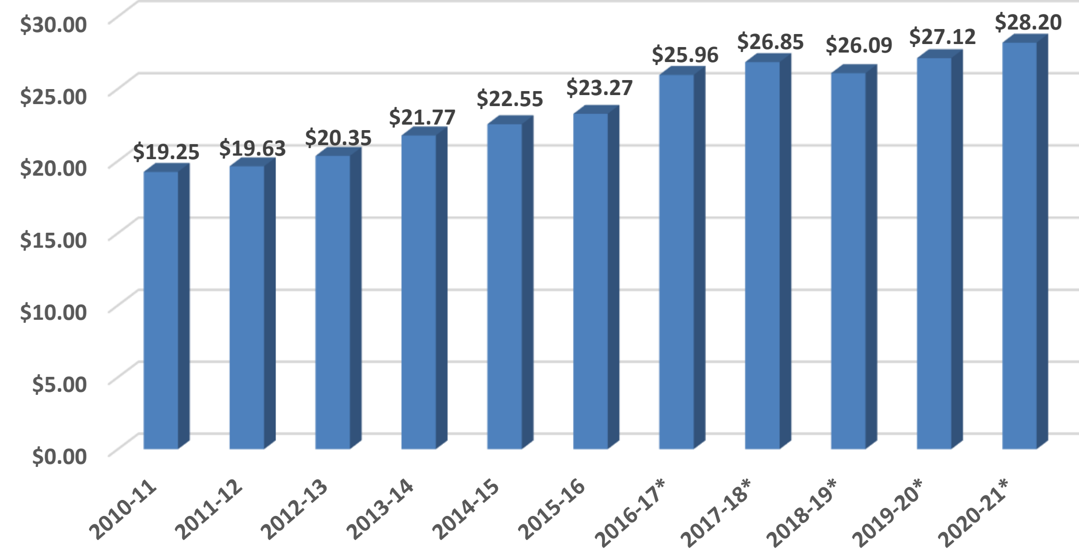


*Estimates are based on August 2017 Long-Term Medicaid Forecast and do not include costs associated with fiscal agent operations.

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

	Appropriation Base**	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21
FMAP Rate* **	61.62%	61.66%	61.66%	61.82%
Expenditures				
General Revenue	$6,377.0**	$6,703.2	$7,228.3	$7,591.7
Increase		$326.2	$525.2	$363.3
Percent		5.12%	7.83%	5.03%

* Estimate based on August 2017 Social Services Estimating Conference and does not include ($455,610) in state matching funds in other departments for Fiscal Year 2018-19 and ($1,822,442) in Fiscal Year 2020-21. There is no change in matching funds in other departments in Fiscal Year 2019-20, as the FMAP rate does not change from the previous year.
** Reflects the Fiscal Year 2017-18 recurring appropriation plus annualizations.
*** Reflects the State Fiscal Year real-time FMAP blend agreed upon at the August 2017 Social Services Estimating Conference.

The Outlook includes an increase in recurring General Revenue funds for Medicaid expenditures of $326.2 million in Fiscal Year 2018-19, $525.2 million in Fiscal Year 2019-20, and $363.3 million in Fiscal Year 2020-21. When the Medicaid state matching funds that are budgeted in other Health and Human Services departments are included, the recurring increases total $325.7 million in Fiscal Year 2018-19, $525.2 million in Fiscal Year 2019-20, and $361.5 million in Fiscal Year 2020-21. The net increase in expenditures includes reductions in recurring General Revenue funds for these agencies in the amounts of $455,610 in Fiscal Year 2018-19 and $1,822,442 in Fiscal Year 2020-21, due to changes in the Federal Medical Assistance Percentage (FMAP) rate, which is the federal financial participation rate.

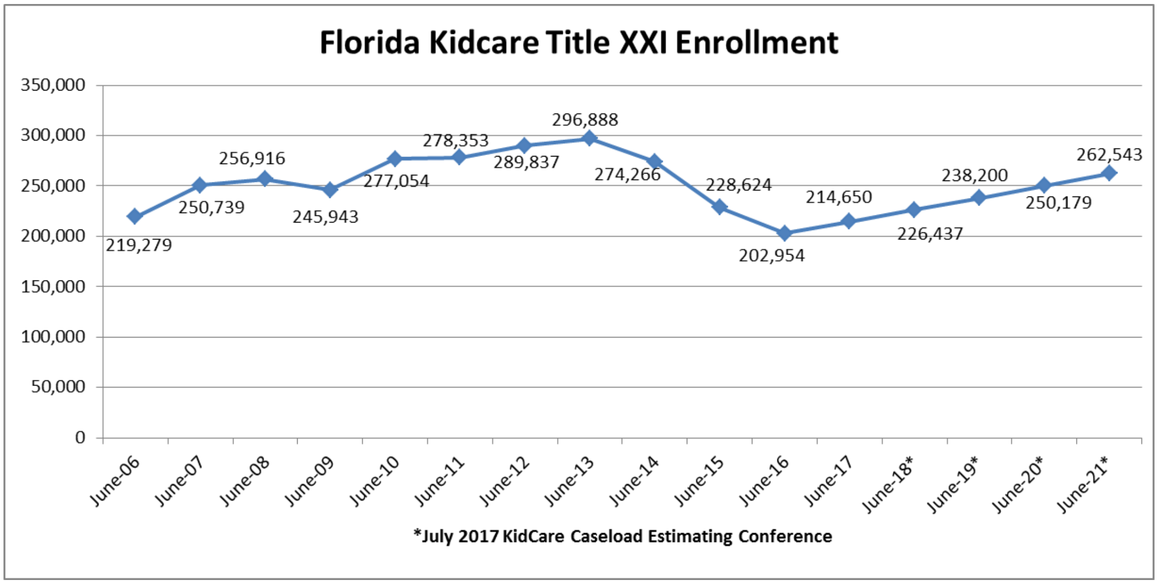
Major policy assumptions and projections for Critical Needs related to Medicaid expenditures for the forecast period are described below:

- **Social Services Estimating Conference** – The estimated costs for caseload growth, utilization, FMAP, fiscal agent operations, and medical inflation are projected based on historical trends and methodologies used by the August 2017 Social Services Estimating Conference (SSEC). The use of managed care arrangements in Florida Medicaid, as required under the Statewide Medicaid Managed Care program pursuant to Part IV of chapter 409, Florida Statutes, presents unique challenges to forecasting Medicaid caseloads and expenditures. The SSEC utilized methodologies for caseload and expenditure forecasts that included:
    - Forecasting caseload at a sub-state or super-region level and expenditures at granular level to capture the effects of regional variations in caseload growth, case mix, and managed care contracted rates.
    - Realigning caseload eligibility categories and consolidating expenditure categories to recognize the increase in managed care, as well as the decrease in the fee-for-service population.
    - Refining the methodology for forecasting managed care rate increases in out-years.

8. Kidcare Program

The federal Children's Health Insurance Program (CHIP – Title XXI of the Social Security Act) has been implemented in Florida as the Kidcare program, which provides health insurance primarily targeted to uninsured, low-income children under age 19 whose family income is at or below 200 percent of the Family Poverty Level (FPL). In 2017, FPL is $48,600 for a family of four. The CHIP is a federal and state matching program. The required state financial participation for Florida is 3.75 percent for Fiscal Year 2017-18, generating a federal share of 96.25 percent for each dollar spent. The Title XXI caseload as of June 2017 was 195,725. There were 18,925 additional children enrolled in the program who are non-Title XXI eligible, for a total program enrollment of 214,650.

The Patient Protection and Affordable Care Act (PPACA) provides that, effective October 1, 2015, through September 30, 2019, the FMAP for children enrolled in the Kidcare program is increased by 23 percentage points but will not exceed 100 percent. This causes Florida's weighted Kidcare FMAP to be an estimated 96.16 percent in Fiscal Year 2018-19. However, the weighted Kidcare FMAP will decrease to 78.91 percent in Fiscal Year 2019-20 and 73.28 percent in Fiscal Year 2020-21. A weighted FMAP is used because the months of the state fiscal years do not comport with the months of federal fiscal years. The increased Kidcare FMAP has been in place since Fiscal Year 2015-16, causing a significant reduction in the state funds required for the Kidcare program. This reduction continues through Fiscal Year 2018-19. However, in Fiscal Year 2019-20, the PPACA's increase to the Kidcare FMAP will expire after the first quarter of the state's fiscal year, which will cause the federal share to decrease to an estimated 78.91 percent for that year, accompanied by a corresponding increase in state expenditures. The following chart reflects caseload numbers as of June 30 of each year, while the expenditures shown in the table reflect estimates adopted by the SSEC.



Kidcare Program Estimates
(dollars in millions)

	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21
Caseload	226,437	238,200	250,179	262,543
Increase		11,763	11,979	12,364
Percent		5.19%	5.03%	4.94%

	Appropriation Base*	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21
Expenditures				
FMAP Rate**	96.13%	96.16%	78.91%	73.28%
General Revenue	$17.00	$18.73	$112.29	$154.12
Increase/(Decrease)		$1.73	$93.56	$41.83
Percent		10.17%	499.60%	37.25%

* Reflects the Fiscal Year 2017-18 recurring appropriation plus annualizations.
** Weighted FMAP

The Outlook includes an increase in recurring General Revenue funds for Kidcare expenditures of $1.73 million in Fiscal Year 2018-19, an increase of $93.56 million in Fiscal Year 2019-20, and an increase of $41.83 million in Fiscal Year 2020-21.

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

- **Social Services Estimating Conference** – The estimated costs for caseload growth, utilization, FMAP, and medical inflation are projected based on historical trends and methodologies used by the July 2017 Caseload SSEC and the August 2017 Expenditure SSEC.

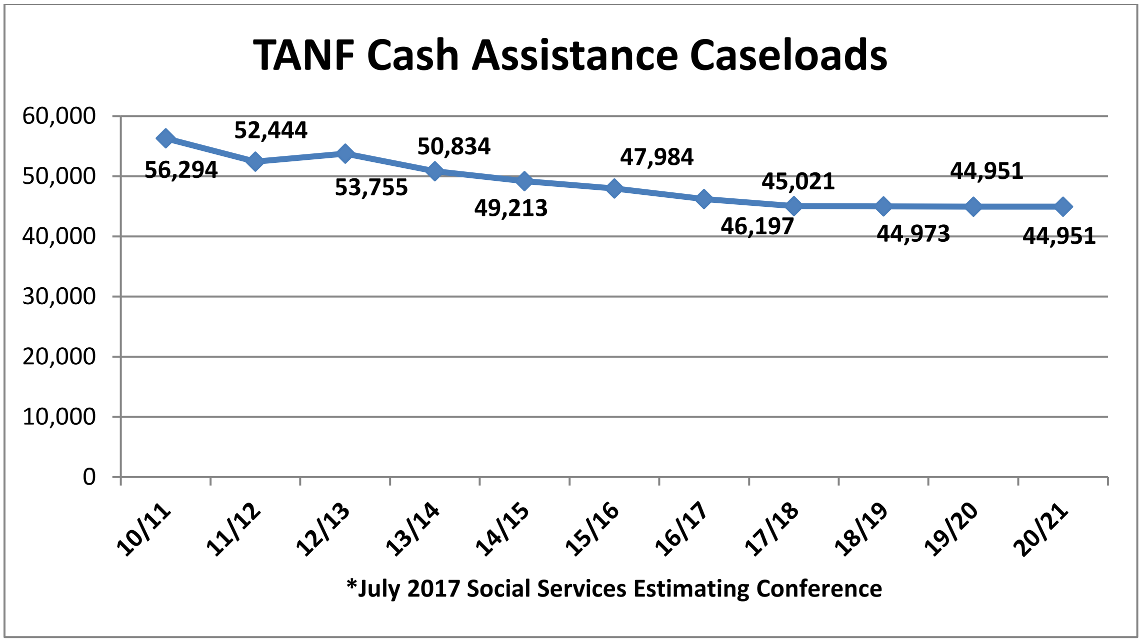
- CHIP Reauthorization – The CHIP is currently authorized under federal law through September 30, 2019, but funding expires September 30, 2017. Absent congressional action, Florida will exhaust federal funds during Fiscal Year 2017-18. Even if congressional action is taken to continue the program at current allotment levels, Florida will not have sufficient federal funds to continue the program at forecasted enrollment levels. In this regard, if federal funding is only authorized at the 2017 federal grant award amount of $686.6 million, Florida would likely experience federal funds deficits of $33.7 million in Fiscal Year 2019-20, $126.5 million in Fiscal Year 2020-21, and $260.1 million in Fiscal Year 2021-22. Depending upon the policy response adopted by the Legislature, this lack of federal funding would also reduce the need for the state matching funds. The forecast for Kidcare expenditures assumes that the program will be reauthorized prior to September 30, 2017, and continue throughout the remainder of the forecast with sufficient federal funding to support the forecasted enrollments and federal matching at the Enhanced FMAP rate.

9. Temporary Assistance for Needy Families Cash Assistance

The welfare reform legislation of 1996 ended the federal entitlement to assistance and created the Temporary Assistance for Needy Families (TANF) block grant that provides assistance and work opportunities to needy families. Florida's federal block grant allotment is $560.5 million for Fiscal Year 2018-19, which represents a $1.9 million decrease due to federal budgetary action included in the Consolidated Appropriations Act of 2017 (P.L. 115-31). This legislation develops a new component of the TANF program for projects that move welfare recipients into work activities, and transfers 0.33 percent of the total TANF appropriation (referred to as the "state family assistance grant" – SFAG) to fund this new initiative. Florida's share of the transfer from SFAG is $1.9 million. The next TANF reauthorization, or extension, will determine whether the reductions in SFAG continue beyond Fiscal Year 2018-19.

The Outlook includes a decrease in recurring General Revenue funds for TANF expenditures of $2.9 million in Fiscal Year 2018-19 and $0.1 million in Fiscal Year 2019-20, with an insignificant change in Fiscal Year 2020-21. These fluctuations are due to minimal adjustments in projected caseloads.

[SEE GRAPH ON FOLLOWING PAGE]



Cash Assistance Estimates
(dollars in millions)

	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21
Caseload	45,021	44,973	44,951	44,951
Increase/(Decrease)		(48)	(22)	0
Percent		(0.1%)	(0.1%)	0%

	Appropriation Base*	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21
Total Program Expenditures	$147.1	$144.2	$144.1	$144.2
Increase/(Decrease)		($2.9)	($0.1)	$0
Percent		(2.0%)	(0.1%)	0%

*Reflects the Fiscal Year 2017-18 recurring appropriation plus annualizations.
Source: July 2017 Social Services Estimating Conference
Note: Totals may not add due to rounding.

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

- **Social Services Estimating Conference** – Estimates for cash assistance are projected based on historical trends and methodologies used by the July 2017 SSEC.

10. Tobacco Settlement Trust Fund Adjustment

The Outlook maximizes the use of estimated available state trust funds. Adjustments are made to General Revenue funds based on projected funds available in the Tobacco Settlement Trust Fund over the three-year forecast period. The Outlook also maintains a reserve of $11.5 million for

Fiscal Year 2018-19, $11.6 million for Fiscal Year 2019-20, and $11.7 million for Fiscal Year 2020-21. This adjustment is distributed within the Health and Human Services policy area.

11. Tobacco Awareness Constitutional Amendment

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

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

	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21
Expenditures	$69.0	$70.3	$71.5	$73.0
Increase		$1.4	$1.1	$1.6
Percent		2.0%	1.6%	2.2%

Note: Totals may not add due to rounding.

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

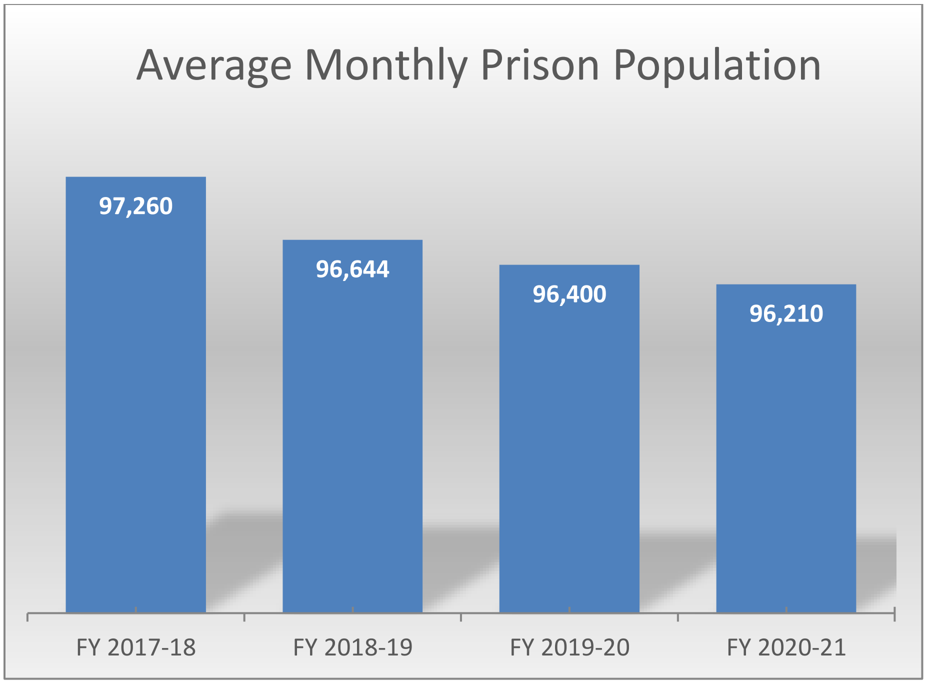
- **National Economic Estimating Conference** – The estimated tobacco expenditures from the August 2017 Revenue Estimating Conference are adjusted by applying the Consumer Price Index from the July 2017 National Economic Estimating Conference.

Criminal Justice (Driver #12)

12. Criminal Justice Estimating Conference – Prison Population Adjustments

The Criminal Justice Estimating Conference (CJEC) provides various estimates related to Florida's prison population. Averaging the estimated number of prisoners for each month produces an average monthly prison population for the year. This metric shows that Florida's prison population will decrease by approximately 1.1 percent over the next three fiscal years.

[SEE GRAPH ON FOLLOWING PAGE]



Source: Criminal Justice Estimating Conference (July 21, 2017)

Operational cost drivers include prison security and institutional operations, food service, inmate health services, and educational and substance abuse programming for inmates. To calculate projected costs, the annual population change is applied to an incremental per-diem calculation. The incremental per-diem rates for Fiscal Year 2017-18 are $16.57 for a population change of less than 500 inmates, $33.18 for each increment of 500, and $55.71 for each increment of 1,500. These per-diems only include security and institutional costs, and are adjusted annually based on cost and population changes.

The Fiscal Year 2017-18 General Appropriations Act provided funding for the Florida Department of Corrections to house 97,537 inmates. The CJEC projected prison population for Fiscal Year 2018-19 is 96,644, a reduction of 893 inmates from the appropriated level for the prior year. The projected prison population reduces further in Fiscal Year 2019-20 by 244 inmates to 96,400 and in Fiscal Year 2020-21 by 190 inmates to 96,210. To reflect the reduction in operational costs, the Outlook reduces funding by $8.4 million in recurring General Revenue funds for Fiscal Year 2018-19, $1.5 million in recurring General Revenue for Fiscal Year 2019-20, and $1.2 million in recurring General Revenue for Fiscal Year 2020-21.

Transportation and Economic Development (Driver #13)

13. State Match for Federal Emergency Management Agency Funding – State Disaster Funding (Declared Disasters)

When a federally declared disaster occurs, the federal government provides grant funds to repair damage and protect areas from future potential disasters. Depending on the disaster, Florida is required to provide up to 25 percent of the total cost of the grant as state match. State matching funds for federally declared disasters vary tremendously from one year to the next. The amount of General Revenue funds required in any given year is dependent on the number and severity of disasters, as well as the federally required percentage of state participation. Based on the most recent quarterly estimate from the Division of Emergency Management, the Outlook includes $67.0 million of nonrecurring General Revenue in Fiscal Year 2018-19, $37.2 million in Fiscal Year 2019-20, and $15.9 million in Fiscal Year 2020-21, to meet the outstanding state obligation for all open federally declared disasters.

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

General Government (Drivers #14 & #15)

14. Non-Florida Retirement System Pensions and Benefits

In addition to the Florida Retirement System (FRS), the Department of Management Services (DMS) is responsible for administering non-FRS pension and benefit programs, such as those for the Florida National Guard and disabled justices and judges. The funding adjustments included in the Outlook are related to the Florida National Guard and are based upon changes to the federal military pay scales, cost-of-living adjustments on federal retirement benefits, and growth in the number of participants. The Outlook includes funds for the non-FRS pension and benefit programs based on estimates provided by the DMS, Division of Retirement, as follows: a reduction of $0.1 million in recurring General Revenue for Fiscal Year 2018-19, an increase of $0.1 million in recurring General Revenue for Fiscal Year 2019-20, and an additional $0.1 million in recurring General Revenue for Fiscal Year 2020-21.

15. Fiscally Constrained Counties – Property Tax

Section 218.12, Florida Statutes, directs the Legislature to provide funds to fiscally constrained counties to offset the reductions in ad valorem tax revenue as a result of the constitutional amendment approved in the Special Election held in January 2008. In addition, section 218.125, Florida Statutes, provides a distribution to fiscally constrained counties to offset the constitutional amendment approved in November 2008 authorizing an ad valorem tax exemption for real property dedicated in perpetuity for conservation purposes. The Outlook includes funds for the fiscally constrained counties based on the Revenue Estimating Conference held on August 11, 2017; $28.7 million in nonrecurring General Revenue for Fiscal Year 2018-19; $23.4 million for Fiscal Year 2019-20; and $24.3 million for Fiscal Year 2020-21.

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

16. Risk Management Insurance

The Outlook includes funds for the state's Risk Management Insurance Program. The program is administered by the Department of Financial Services and provides workers' compensation, general liability, federal civil rights, auto liability, off-duty law enforcement vehicle property damage, and property insurance coverage to state agencies. The state is self-insured for these types of coverage, and agencies are assessed premiums on an annual basis for the coverage. The Outlook uses data available from the Self-Insurance Estimating Conference held on July 28, 2017, to estimate costs and determine General Revenue and trust fund allocations to the various agencies. Additional funds are not needed for the 2018-19 fiscal year; however, an additional $4.4 million in recurring General Revenue and $2.5 million from recurring trust funds for Fiscal Year 2019-20 and $14.2 million in recurring General Revenue and $8.1 million from recurring trust funds for Fiscal Year 2020-21 are included in the Outlook.

17. Division of Administrative Hearings Assessments

The Outlook includes funds to support the operations of the Division of Administrative Hearings. The division resolves disputes brought by individuals and groups such as state agencies and contracted entities for hearing by an administrative law judge. The division's funding is derived by assessing state agencies and other entities for services based on the prior year's hearing hours. The hours vary from year to year, and each agency has different funding sources. Agencies range from paying all of the assessments with trust funds to agencies paying all with General Revenue, with a few agencies using a mix of both General Revenue and trust funds to pay the assessment. Based on actual hearing hours utilized by agencies in Fiscal Year 2016-17, an increase of $50,264 of recurring General Revenue and a decrease of $50,264 of recurring trust funds are included in the Outlook for Fiscal Year 2018-19.

18. Increases in Employer-Paid Benefits for State Employees

Health Insurance – Total expenses associated with the state employee health insurance program are expected to increase by $209.0 million in Fiscal Year 2018-19, $296.3 million in Fiscal Year 2019-20, and $345.5 million in Fiscal Year 2020-21. When the Legislature appropriates additional funds to maintain the solvency of the program, approximately 61 percent of employer-funded premium increases are funded from the General Revenue Fund and 39 percent from various trust funds.

The increases in expenses are based on assumptions that the plan will experience a 4.3 percent average annual increase in Health Maintenance Organization (HMO) premium payments, 7.6 percent average annual growth in HMO medical claims, 14.8 percent average annual growth in HMO pharmacy claims, 7.6 percent average annual growth in Preferred Provider Organization (PPO) medical claims, and 15.0 percent average annual growth in PPO pharmacy claims.

On the revenue side of the state employee health insurance program, the Outlook assumes the additional medical and pharmacy costs will be covered through premium increases paid by the employing agencies. Generally, these costs have been funded through this mechanism.

In order to meet expenses and maintain a balance of approximately $47.3 million in the State Employees' Group Health Insurance Trust Fund at the end of the three-year period, the Outlook assumes an 11.0 percent annual increase in employer-paid premium contributions on December 1, 2018, December 1, 2019, and December 1, 2020. Under these assumptions, state contributions are expected to increase by $81.8 million from the General Revenue Fund and $56.9 million from trust funds in Fiscal Year 2018-19, $150.3 million from the General Revenue Fund and $104.4 million from trust funds in Fiscal Year 2019-20, and $168.5 million from the General Revenue Fund and $117.1 million from trust funds in Fiscal Year 2020-21. No changes to the benefits offered under the insurance program or to employee-paid premium contributions are assumed in the Outlook.

<u>Florida Retirement System (FRS)</u> – Since Fiscal Year 2013-14 the Legislature has provided full funding for the normal cost and amortization of Unfunded Actuarial Liabilities of the FRS. As a result, if the assumptions used during the FRS Annual Actuarial Valuation are achieved and remain unchanged and no additional benefits are enacted, no additional expenditures would be projected for the Outlook. However, if the assumed investment return rate of the FRS is greater than the rate the state actuaries for the FRS believe is likely to be achieved in the long term, the Legislature may allocate additional funds to bolster the financial status of the FRS. Further, the FRS Actuarial Assumption Conference has adopted a reduction in the assumed investment rate of return at two of its last three conferences. Over this three-year period, the reductions averaged five basis points per year:

Conference	2013	2014	2015	2016
Investment Return Assumption	7.75%	7.65%	7.65%	7.60%
Basis Point Change from Prior Year		-10.0	0.0	-5.0

By using the Conference's annual average reduction of five basis points as a proxy, the cost of a consecutive series of reductions to the investment return assumption can be modelled. These costs are estimated to be $55.4 million from the General Revenue Fund and $6.4 million in trust funds in Fiscal Year 2018-19; $57.2 million from the General Revenue Fund and $6.6 million in trust funds in Fiscal Year 2019-20; and $59.1 million from the General Revenue Fund and $6.8 million in trust funds in Fiscal Year 2020-21.

Other High Priority Needs

Pre K-12 Education (Drivers #19 - #23)

19. Educational Enhancement Trust Fund Adjustment – Bright Futures Scholarship Increase – Florida Education Finance Program

In Driver #24, Other High Priority Needs funding is provided to increase Bright Futures awards to cover annual scholarship increases. This increase in Bright Futures awards results in less Educational Enhancement Trust Fund (EETF) dollars being available for the Florida Education Finance Program (FEFP), resulting in fund shifts of $29.5 million, $1.4 million, and $0.9 million of General Revenue funds for Fiscal Years 2018-19, 2019-20, and 2020-21, respectively, to replace the EETF funds in the FEFP.

20. Increase Total Funds per FTE Student – Florida Education Finance Program

Other High Priority Needs funding is provided for the Florida Education Finance Program (FEFP) based on the appropriated three-year average percent increase in funds per FTE student excluding Florida Retirement System adjustments, which is an increase of 1.79 percent per FTE student. The 1.79 percent increase requires $357.5 million, $365.9 million, and $380.0 million of recurring General Revenue funds for the FEFP for Fiscal Years 2018-19, 2019-20, and 2020-21, respectively. This funding supplements the Critical Needs funding for the FEFP in Drivers #1 through #3 (see results table in Driver #3).

21. Maintain Fiscal Year 2017-18 Total Amount of the Required Local Effort – Florida Education Program

As Florida's economy has rebounded, property values have increased, resulting in the same Required Local Effort (RLE) millage rate generating more in property tax revenue in subsequent years. For the past two years, the Legislature has adopted a funding policy to maintain the total RLE at $7.6 billion by providing additional state funds in lieu of allowing the RLE to increase due to the increased property valuations. Other High Priority Needs funding is provided for the Florida Education Finance Program (FEFP) based on maintaining the Fiscal Year 2017-18 total RLE amount, which requires an estimated $425.8 million, $429.2 million, and $446.3 million of recurring state funds for Fiscal Years 2018-19, 2019-20, and 2020-21, respectively. This funding supplements the Critical Needs funding for the FEFP in Drivers #1 through #3 (see results table in Driver #3).

22. Additional Cost Required to Implement Both Increase Total Funds per Student and Maintain the Fiscal Year 2017-18 Required Local Effort – Florida Education Finance Program

Other High Priority Needs funding is provided for the Florida Education Finance Program (FEFP) based on implementing both Driver #20 (increasing the total funds per FTE student) and Driver #21 (maintaining the Fiscal Year 2017-18 total Required Local Effort [RLE]). The amount of state funds needed to increase the total funds per FTE student, in part, is a function of the amount of the RLE. The cost to increase total funds per FTE student is higher to the state if the RLE is held constant. As a result, there is an additional amount of state funds needed for Driver #20 when maintaining the Fiscal Year 2017-18 total amount of the RLE. Driver #22 provides the additional $16.1 million, $21.1 million, and $21.7 million of recurring state funds for Fiscal Years 2018-19, 2019-20, and 2020-21, respectively, to implement both Drivers #20 and #21. This funding supplements the Critical Needs funding for the FEFP in Drivers #1 through #3 (see results table in Driver #3).

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

Other High Priority Needs funding is provided for the Florida School for the Deaf and the Blind. The school is a fully accredited state public school located in St. Augustine for approximately 1,000 PreK through grade 12 deaf/hard of hearing, blind/visually impaired, and special needs students who are either residential, day, or out-reach students. Funds are provided based on the three-year average increase of appropriations for school operations in the amount of $554,257 of recurring General Revenue funds for each of the three forecast years.

In addition, Other High Priority Needs funding is provided for the Gardiner Scholarship Program, the Standard Student Attire Incentive Program, and the Florida Best and Brightest Scholarship Program.

The Gardiner Scholarship Program allows parents to personalize the education of their children with unique abilities by enabling them to use the funds for a combination of services and programs. These may include tuition and fees, therapy, curriculum, technology, and college savings accounts. Funds are provided based on the three-year average increase of appropriations for scholarships in the amount of $28.3 million of recurring General Revenue funds for each of the three forecast years.

The Standard Student Attire Incentive Program provides incentive payments to school districts for public schools implementing a standard attire policy for all students in kindergarten through grade 8. Funds are provided based on the three-year average increase of appropriations for the program in the amount of $4.7 million of recurring General Revenue funds for each of the three forecast years.

Florida's Best and Brightest Scholarship Program provides: (1) scholarships to teachers based on high academic achievement and highly effective classroom instruction; (2) yearly bonuses for classroom teachers rated highly effective and effective; and (3) scholarships to principals serving at least two consecutive years at a school with a required percentage of best and brightest classroom teachers. Funds are provided based on the three-year average increase of appropriations for scholarships in the amount of $78.0 million of recurring General Revenue funds for each of the three forecast years.

Higher Education (Drivers #24 - #30)

24. Bright Futures – Costs to Pay Florida Academic Scholars – Tuition Differential and Technology Fees

In Fiscal Year 2018-19, additional Educational Enhancement Trust Fund (EETF) budget authority of $71.7 million is needed over the amount provided in Driver #5 to continue to fund scholarships provided to Bright Futures Florida Academic Scholars (FAS) recipients at the level funded in the Fiscal Year 2017-18 General Appropriations Act (GAA). The Fiscal Year 2017-18 GAA provided funding for scholarship payments at 100 percent of tuition and fees, including payment of the tuition differential charged at state universities, and payment of the technology fees charged at all public postsecondary institutions. Critical Needs Driver #5 provided for 100 percent of tuition and fees, excluding the tuition differential and the technology fees. Driver #24 provides additional funding to continue the tuition differential and the technology fees. Although funding for these additional fees was included in the Fiscal Year 2017-18 GAA and not vetoed, legislation containing provisions authorizing their payment (CS/CS/SB 374) was vetoed by the Governor. Based on the Department of Education's memorandum regarding 2017-18 Bright Futures Scholarship Program Award Amounts,[9] FAS students' scholarship payments for Fiscal Year 2017-18 will include the tuition differential and the technology fees. Additional funding provided in Driver #24 assumes legislation will be enacted that maintains FAS scholarship payments at levels consistent with the Fiscal Year 2017-18 implementation. The incremental costs for Fiscal Years 2019-20 and 2020-21 are $3.5 million and $2.3 million, respectively.

25. Educational Enhancement Trust Fund Adjustment – Based on Additional Costs for the Tuition Differential and Technology Fees

The $71.7 million increase in Educational Enhancement Trust Funds (EETF) for the Bright Futures program required by Driver #24 requires an incremental redistribution of EETF funding among the other education program entities. The $71.7 million increase in Bright Futures requires a like amount to be reduced from those other entities (as previously distributed by Driver #6) and replaced with General Revenue (GR). In summary, for Fiscal Years 2018-19, 2019-20, and 2020-21, respectively, $42.2 million, $2 million, and $1.3 million in EETF are reduced from other Higher Education entities and replaced with GR. In Pre K-12 Education for Fiscal Years 2018-19, 2019-20, and 2020-21, respectively, $29.5 million, $1.4 million, and $0.9 million are reduced and replaced with GR (see Driver #19).

26. Maintain Current Budget – Higher Education

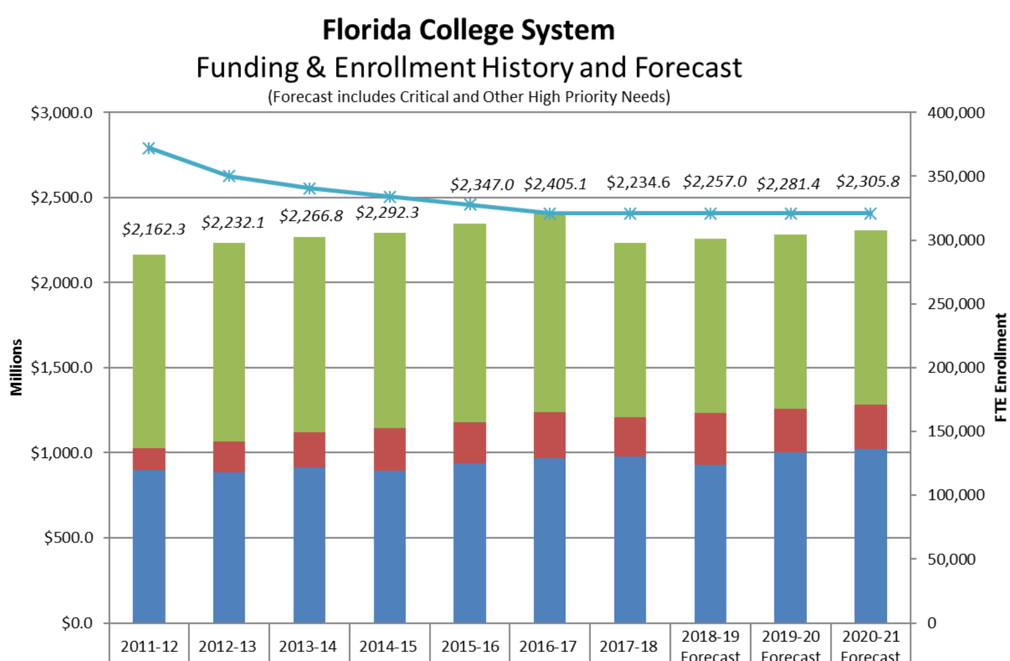
Other High Priority Needs funding includes $40 million in recurring General Revenue funds to restore nonrecurring appropriations provided in Fiscal Year 2017-18 for performance incentive funding at Florida College System institutions in order to maintain the Fiscal Year 2017-18 budget. Of this funding, $10 million is provided to college institutions as performance funding

[9] Department of Education Memorandum OSFA-STATE: #17-18:07 (July 12, 2017). Available here: http://edr.state.fl.us/Content/conferences/financialaid/DOEMemorandum.pdf.

for earned industry certifications, and $30 million is provided to colleges as performance funding for college programs that result in successful student outcomes.

27. Workload – Florida Colleges

Other High Priority Needs funding includes increases for Florida colleges based on the three-year average appropriation increase of $23.5 million for each year of the Outlook. The three-year average appropriation does not include Florida Retirement System adjustments or costs pertaining to the operation of new facilities expected to come on-line between Fiscal Years 2018-19 and 2020-21. These issues are accounted for as separate drivers in the Outlook. In addition, for Fiscal Year 2017-18 only, the appropriation excludes appropriations projects as defined in joint House and Senate rules; the prior years used in the three-year average have not been adjusted to reflect this policy. The following chart provides historical funding and enrollment data for Florida colleges and funding projections for the 2018-19, 2019-20, and 2020-21 fiscal years. The enrollment for Fiscal Year 2016-17 reflects the actual enrollment adopted by the Education Estimating Conference on August 2, 2017. Tuition revenue projections and enrollment are then held constant over the three-year forecast period.

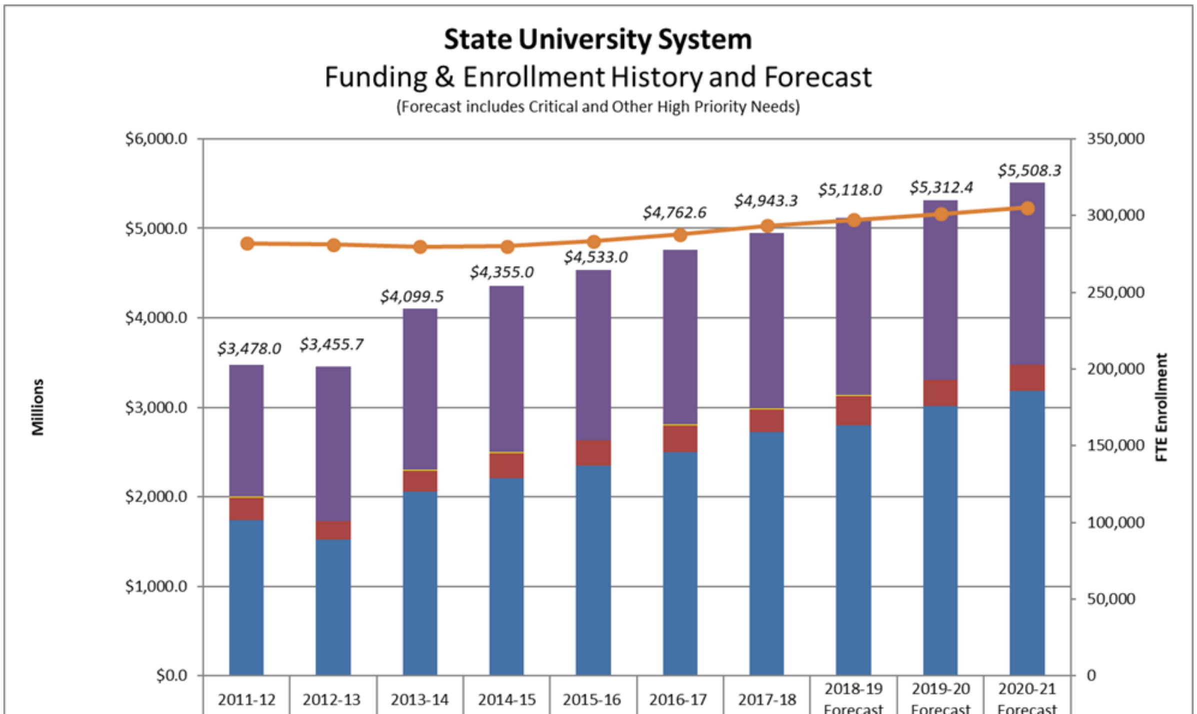


	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19 Forecast	2019-20 Forecast	2020-21 Forecast
Tuition	$1,134.7	$1,165.9	$1,147.8	$1,145.2	$1,165.1	$1,165.1	$1,024.0	$1,024.0	$1,024.0	$1,024.0
EETF	$130.4	$180.8	$204.9	$255.0	$244.9	$273.8	$231.8	$303.1	$255.9	$259.8
General Revenue	$897.2	$885.4	$914.1	$892.1	$937.0	$966.2	$978.8	$929.9	$1,001.4	$1,022.0
FTE Enrollment	372,050	350,109	340,556	334,178	327,992	320,900	320,900	320,900	320,900	320,900

28. Workload – State Universities

Other High Priority Needs funding includes workload increases for the State University System (SUS) based on the three-year average appropriation increase of $169.5 million for each year of the Outlook. This average increase consists of an approximately $160.9 million workload increase for Education and General activities, a $5.6 million workload increase for the Institute of Food and Agricultural Sciences (IFAS) at the University of Florida, and a $3 million workload increase for the Florida Postsecondary Comprehensive Transition Program (FPCTP). The FPCTP was enacted in 2016 (chapter 2016-2, Laws of Florida), and it expands and enhances postsecondary education opportunities for individuals with unique abilities, including scholarships for eligible students. Administration and statewide coordination of information regarding programs and services for students is provided by the Florida Center for Students with Unique Abilities at the University of Central Florida.

The calculated average appropriations increases do not include Florida Retirement System adjustments or costs pertaining to the operation of new facilities expected to come on-line between Fiscal Years 2018-19 and 2020-21. These issues are accounted for as separate drivers in the Outlook. In addition, for Fiscal Year 2017-18 only, the appropriation excludes appropriations projects as defined in joint House and Senate rules; the prior years used in the three-year average have not been adjusted to reflect this policy. The three-year average appropriations increase includes only the incremental increases related to new funding issues for each of the three prior fiscal years. The following chart provides historical funding and enrollment data for the State University System, and funding projections for the 2018-19, 2019-20, and 2020-21 fiscal years. The enrollment projections are provided by the Board of Governors, and the estimated tuition revenues are based on these projections.



	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19 Forecast	2019-20 Forecast	2020-21 Forecast
Tuition	$1,480.4	$1,724.4	$1,802.64	$1,861.2	$1,902.3	$1,957.5	$1,957.5	$1,981.1	$2,004.4	$2,029.3
Phosphate TF	$7.3	$5.0	$5.1	$5.1	$5.1	$5.1	$5.1	$5.1	$5.1	$5.1
EETF	$253.9	$199.9	$234.8	$284.8	$273.6	$304.4	$257.6	$336.9	$284.5	$288.8
General Revenue	$1,736.8	$1,526.4	$2,057.0	$2,203.9	$2,352.0	$2,495.6	$2,723.1	$2,794.9	$3,018.3	$3,185.1
FTE Enrollment	281,786	280,974	279,748	279,891	283,381	287,700	293,380	297,240	301,040	305,100

29. Workload and Adjustments – Other Higher Education Programs

Other High Priority Needs funding includes General Revenue increases for merit and need-based student financial assistance, and other tuition assistance programs for students attending Florida's public and private colleges and universities. The plan includes combined annual increases of approximately $43.9 million for these programs. Specific program increases are detailed below.

Florida Student Access Grant (FSAG)
The plan includes annual General Revenue increases of $40.3 million for the FSAG program, which is a state-funded need-based financial assistance program for students attending both public and private postsecondary institutions. These funding increases are based on the three-year average appropriations increase for the program.

Florida Resident Access Grant (FRAG) and Access to Better Learning (ABLE) Grant
The plan also includes annual General Revenue increases of $4.7 million for FRAG and ABLE Grant programs, which are tuition assistance programs for students attending eligible private colleges and universities. These funding increases are based on the three-year average appropriations increases for the two programs.

Benacquisto Scholarship Program
The Benacquisto Scholarship Program is a merit scholarship program for high school graduates who earn recognition as a National Merit or National Achievement Scholar. The scholarship is equal to the cost of attendance (including tuition and fees, room and board, and other expenses) at a public postsecondary educational institution, minus the amount of the student's Bright Futures Scholarship and National Merit Scholarship or National Achievement Scholarship. Since most Benacquisto Scholars are also Bright Futures Florida Academic Scholars (FAS), the FAS award amount (as reflected in Critical Needs Driver #5 and Other High Priority Needs Driver #24) directly affects the funds needed for the Benacquisto Scholarship Program in an inverse relationship, with a higher FAS award resulting in a lower cost for the Benacquisto Scholarship Program. Thus, the plan must assume a specific FAS award level in order to determine the amount of funding needed for Benacquisto Scholarship Program.

Accordingly, the plan assumes that Critical Needs Drivers #5 and #24 are funded, resulting in annual General Revenue decreases for the Benacquisto Scholarship of approximately $1.2 million through Fiscal Year 2020-21.

If only Critical Needs Driver #5 is funded, the amount of funding needed for the program increases by $561,368 in Fiscal Year 2018-19, $261,075 in Fiscal Year 2019-20, and $455,250 in Fiscal Year 2020-21.

Funding projections are based on increased enrollment projections for the program, as adopted by the August 2017 Student Financial Aid Estimating Conference. An additional 41 students are projected to be eligible for funding over the next three years, with 22 additional students eligible in Fiscal Year 2018-19, four additional students in Fiscal Year 2019-20, and 15 additional students in Fiscal Year 2020-21.

30. Anticipated New Space Costs for Colleges and Universities

General Revenue funds are provided in Other High Priority Needs for operational costs associated with the phase-in of new physical space operations, which include costs related to utilities and janitorial services. Facility construction projects approved by the Legislature through the education capital outlay process are anticipated to come on-line during the Outlook period. An estimated $2.5 million, including $930,626 for Florida colleges and approximately $1.5 million for state universities, is included for each year of the Outlook based on a three-year appropriations average.

Education Fixed Capital Outlay (Driver #31)

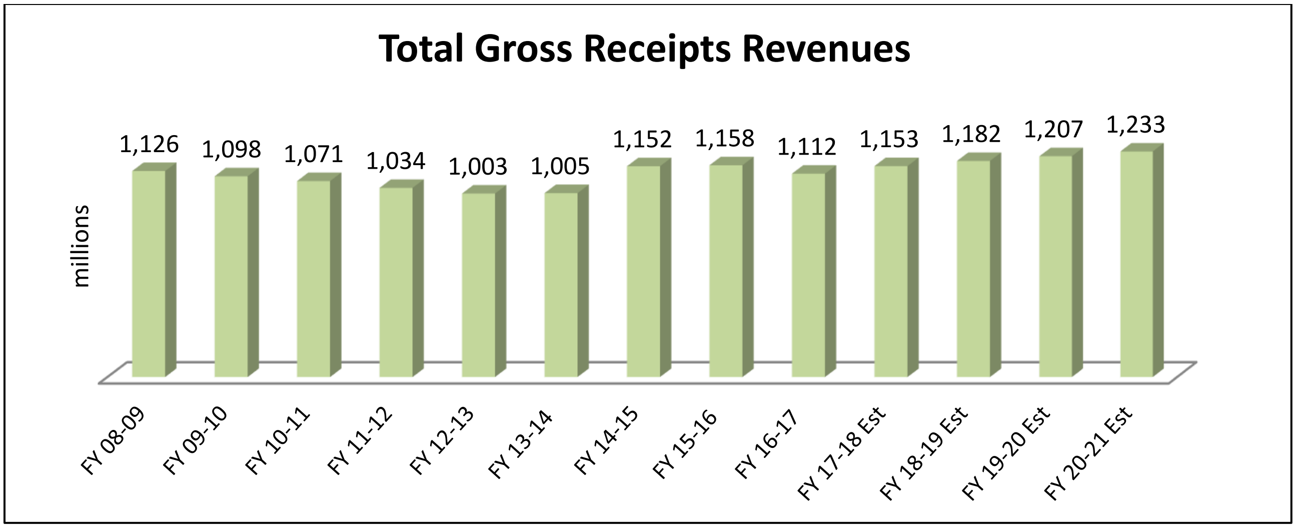
31. Education Fixed Capital Outlay

The Public Education Capital Outlay and Debt Service (PECO) Trust Fund is established in the Florida Constitution for the purpose of funding education capital outlay. The PECO Trust Fund derives its revenues from Gross Receipts Taxes on Utilities and Telecommunications. Historically, the PECO program has used PECO Trust Funds (a mix of bonding proceeds and cash from Gross Receipts Taxes) and cash from General Revenue and the Educational Enhancement Trust Fund to fund projects.

In Fiscal Year 2008-09, Gross Receipts revenues began to decline until flattening out in Fiscal Year 2013-14. In Fiscal Year 2014-15, revenues then increased $147 million primarily due to legislation which redirected certain utility related sales tax revenues from General Revenue into the PECO Trust Fund. Bonding has been used only once in the past three fiscal years and, prior to that, not since Fiscal Year 2010-11. Given the state's recent practice of not bonding any portion of the available revenue, this Outlook assumes a supplemental need for General Revenue to continue similar levels of PECO program funding over the course of the forecast period.

Estimates of General Revenue needed over each year of the forecast period are based on a three-year average of totals for projects funded that would not have been defined as appropriations projects pursuant to joint House and Senate rules. This funding level is then compared to the August 11, 2017, PECO cash estimates for maximum appropriation over the three years of the forecast, assuming no bonding. The gap between the two identifies a need for additional nonrecurring General Revenue of $100.2 million in Fiscal Year 2018-19, $65.9 million in Fiscal Year 2019-20, and $56.9 million in Fiscal Year 2020-21.

[SEE GRAPH ON FOLLOWING PAGE]



Human Services (Drivers #32 - #38)

32. Medicaid Services

The Outlook includes additional funding for Medicaid Waiver slots for the elderly, for individuals with brain and spinal cord injuries, for Medicaid consulting and actuarial services, and for Medicaid provider rate increases based on three-year averages. These Other High Priority Needs provide the Agency for Health Care Administration and the Department of Elder Affairs with $26.4 million ($17.8 million nonrecurring) in General Revenue funds each year for Fiscal Years 2018-19, 2019-20, and 2020-21.

33. Children and Family Services

The Outlook uses three-year appropriations averages to determine the funding needs for the anticipated growth of the following: central receiving facilities grant program; maintenance adoption subsidies; Community-Based Care (CBC) lead agencies that provide child welfare services; grants to sheriffs that perform child abuse investigations in lieu of the department; cost-of-living increases for foster care parents and mental health facilities; homeless coalitions providing direct services to transient populations; state mental health facilities initiatives; prevention efforts and services to victims of domestic violence; child welfare legal services; the remaining obligation of a claims bill; and substance abuse and mental health initiatives administered through community-based providers.

These Other High Priority Needs increase General Revenue funds for the Department of Children and Families by $42.2 million ($11.6 million nonrecurring) for Fiscal Year 2018-19. The Outlook also includes $13.8 million in nonrecurring Tobacco Settlement Trust Funds for Fiscal Year 2018-19. For Fiscal Year 2019-20 and Fiscal Year 2020-21, the General Revenue amount increases to $54.3 million ($23.7 million nonrecurring), which includes $13.8 million to replace the nonrecurring Tobacco Settlement Trust Funds and a reduction of $1.7 million associated with a claims bill that has no further funding obligations beyond Fiscal Year 2018-19.

34. Health Services

The Outlook includes additional funding for the Early Steps program, the Mary Brogan Breast and Cervical Cancer Early Detection program, the Women, Infants, and Children (WIC) program, the Federal Child Care Nutrition program, the Office of Medical Marijuana Use, the Newborn Screening program, the Division of Disability Determinations, and biomedical research based on three-year appropriations averages. The Outlook also restores nonrecurring funding for poison control centers and federally qualified health centers based on three-year appropriations averages for these programs. All of these programs are described below:

- The Early Steps program is Florida's early intervention system that offers support services to families and caregivers with infants and toddlers with significant delays or a condition likely to result in a developmental delay.
- The Mary Brogan Breast and Cervical Cancer Early Detection program provides cancer screenings for medically underserved women between the ages of 50 and 64 whose incomes are below 200 percent of the federal poverty level.
- WIC is a federally funded nutrition program for women, infants, and children that provides healthy foods, nutrition education and counseling, and breastfeeding support at no cost.
- The Federal Child Care Nutrition program is a federally funded food public assistance program that administers the Afterschool Meals Program to 941 Florida public schools.
- The Office of Medical Marijuana Use is the state's regulatory office charged with writing and implementing the rules for medical marijuana including licensure of dispensaries and registering qualified patients and caregivers.
- The Newborn Screening program screens all newborns born in this state for metabolic, hereditary, and congenital disorders known to result in significant impairment of health or intellect.
- The Division of Disability Determinations is a federally funded program responsible for determining the medical eligibility for Florida citizens who apply for disability benefits under Social Security Administration disability programs.
- The biomedical research funding encompasses several statewide initiatives through grant opportunities and supplemental funding. These programs include the James and Esther King Biomedical Research Program, Bankhead-Coley Cancer Research Program, Torrey Pines Institute for Molecular Studies, and the Live Like Bella Pediatric Cancer Research Initiative.
- The Poison Control Centers provide poison prevention and confidential management information through a toll-free hotline at three poison control centers located in Jacksonville, Miami, and Tampa.
- Florida's Federally Qualified Health Centers are non-profit health care organizations that serve all populations and provide primary and preventive medical, dental, and behavioral services throughout the state.

These Other High Priority Needs increase General Revenue funds for the Department of Health by $20.0 million ($15.4 million nonrecurring) each year for Fiscal Years 2018-19, 2019-20, and 2020-21.

35. Developmental Disabilities

The Outlook uses three-year appropriations averages to determine the funding needs for reducing the wait list for Developmental Disabilities Waiver services provided by the Agency for Persons with Disabilities, additional administrative resources to manage growth in Waiver services, the agency's supported employment and internship programs, and rate increases for Medicaid Waiver providers, including nonrecurring funding to address the U.S. Department of Labor Fair Standards Act. These Other High Priority Needs increase General Revenue funds for the Agency for Persons with Disabilities by $35.1 million ($17.0 million nonrecurring) each year for Fiscal Years 2018-19, 2019-20, and 2020-21.

36. Veterans' Services

The Outlook includes funding for Florida is for Veterans, Inc., for the Entrepreneurship Program designed to connect business leaders with veterans seeking to become entrepreneurs, and the Veterans Training Grants Program which provides funding for educational programs to businesses hiring and training veterans. These Other High Priority Needs are based on three-year appropriations averages and increase General Revenue funds for the Department of Veterans' Affairs by $2.0 million nonrecurring each year for Fiscal Years 2018-19, 2019-20, and 2020-21.

The Outlook also includes funding for initial staffing operations at two state veterans nursing homes currently in the planning phase. The Outlook includes an increase of $4.7 million in trust fund authority for the Lake Baldwin State Veterans Nursing Home for Fiscal Year 2018-19 and $4.7 million in trust fund authority for the Ardie Copas State Veterans Nursing Home for Fiscal Year 2019-20.

37. Elderly Services

The Outlook includes funding for reducing the wait list for the Community Care for the Elderly program within the Department of Elder Affairs and respite services for the department's Alzheimer's clients based on the three-year appropriations averages. Additionally, the Outlook includes funding for Public Guardianship services and Aging Resource Centers to assist the elderly. These Other High Priority Needs increase General Revenue funds for the Department of Elder Affairs by $5.9 million ($1.1 million nonrecurring) each year for Fiscal Years 2018-19, 2019-20, and 2020-21.

38. Human Services Information Technology/Infrastructure

The Outlook includes funding for Other High Priority Needs for human services information technology and infrastructure. Included are costs for the completion of the Agency for Persons with Disabilities' Client Management System, the Florida Medicaid Management Information System (FMMIS) transition, new equipment and an upgrade of the Department of Veterans' Affairs electronic health record wireless system in veteran nursing homes, facility regulation issues in the Agency for Health Care Administration, and restoration of nonrecurring funds for the Department of Children and Families to perform automated income verification of welfare recipients. The Outlook provides $3.2 million of nonrecurring General Revenue funds for Fiscal

Year 2018-19, $3.2 million of General Revenue funds ($2.3 million nonrecurring) for Fiscal Year 2019-20, and $2.3 million of nonrecurring General Revenue funds for Fiscal Year 2020-21.

Criminal Justice (Drivers #39 - #43)

39. Justice Administration Entities – Due Process and Conflict Case Costs

The Justice Administration Commission is responsible for administering funds provided for due process and conflict case costs for the judicial system totaling over $85 million annually. These costs include court-appointed attorneys' fees in criminal conflict, child dependency and civil conflict cases, attorney payments over the flat fees established for those cases, legal representation for dependent children with special needs, registry attorneys for post-conviction capital collateral cases and due process costs for state attorneys and public defenders. Due process costs include court reporting and interpreting services, expert witness fees, and costs associated with medical/mental health evaluations. The Outlook includes an increase of $2.6 million in recurring General Revenue funds each year based on the average increase in due process and conflict case appropriations over the last three fiscal years.

40. Department of Corrections – Disability Rights Florida, Inc., Settlement Agreement – Inmates with Mobility, Hearing, and Vision Disabilities

The Florida Department of Corrections (FDC) entered into a settlement agreement with Disability Rights Florida, Inc., to end a lawsuit relating to the accommodations for inmates with mobility, hearing, and vision disabilities. Under the settlement, inmates with a mobility disability will be placed in prisons that comply with the Americans with Disabilities Act (ADA) standards. The FDC will provide inmates with hearing disabilities increased access to interpreters and hearing aids, as well as provide video remote interpreting. Inmates with vision disabilities will receive probing canes and other accommodations to enable them to participate in FDC services and programs. Finally, inmates who need services will be evaluated when they enter the correctional system and reevaluated annually for changes in the inmate's condition. The Outlook includes an increase of $6.4 million in General Revenue ($2.0 million recurring and $4.4 million nonrecurring) for Fiscal Year 2018-19; $2.3 million ($1.8 million recurring and $519,588 nonrecurring) for Fiscal Year 2019-20; and $150,000 nonrecurring General Revenue for Fiscal Year 2020-21.

41. Department of Corrections – Contracted Inmate Health Services

Today, the Florida Department of Corrections (FDC) provides comprehensive health care services for the 97,537 inmates in its custody. Centurion of Florida currently provides inmate medical services for all four regions of the state. Centurion replaced Corizon Healthcare in April 2016 after Corizon terminated its contract that was expected to run until January 2018. Centurion also replaced Wexford Health Services in April 2017 in Region 4 and two institutions in Region 3 after FDC executed an at-will termination of the contract that was to run until December 20, 2017. The department has issued Invitations to Negotiate for all of the health care services and expects to award contracts in March of 2018. The Outlook includes an increase of $17.1 million in recurring General Revenue funds each year based on a projected 5.2 percent increase in contracted inmate health services over the Fiscal Year 2017-18 funding level, based on three-year average percentage changes in appropriations: Fiscal Year 2015-16 (-0.2 percent); Fiscal Year 2016-17 (14.4 percent); and Fiscal Year 2017-18 (1.4 percent). In addition, the Outlook includes an increase of $10.0 million of recurring General Revenue funds in Fiscal Year 2018-19 to annualize mental health services at Wakulla Correctional Institution, which was funded in Fiscal Year 2017-18 at $14.4 million ($5.7 million recurring and $8.7 million nonrecurring) to establish a Mental Health Unit at the institution.

42. Department of Corrections – Pharmaceutical Drugs – Compliance with Standards of Care

Today, the Florida Department of Corrections provides health care services for more than 97,500 inmates in its custody. Services provided to inmates must meet or exceed the level of care available to individuals in the community. The department must adopt new treatment protocols for inmates as those protocols change in the community. New drugs are continually coming to market to treat illnesses. The cost of the newer pharmaceuticals, such as biologicals (a vaccine or drug derived from biological sources), HIV, and flu vaccines, is greater than that of the older treatments, while the cost of insulin and thyroid medication has increased due to price increases by the pharmaceutical manufacturers. The Outlook includes an increase of $8.3 million in recurring General Revenue funds each year based on the funding shortfall for pharmaceutical drugs in Fiscal Year 2016-17.

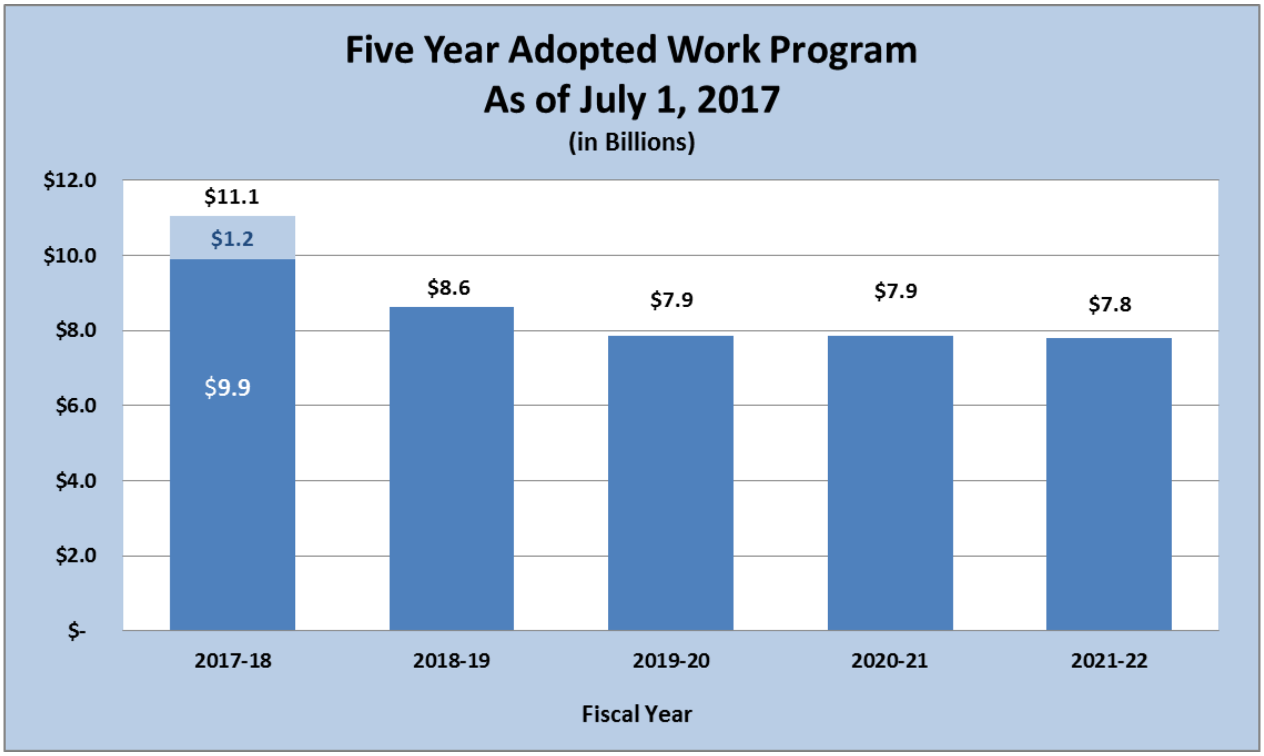
43. Department of Juvenile Justice – Prevention and Intervention Programs

The Department of Juvenile Justice provides a continuum of services designed to treat juveniles in the most appropriate and least restrictive environment possible in order to provide the best outcomes for the juveniles under its supervision. Those services range from community-based prevention and intervention services to residential treatment services that remove a juvenile from his or her community for three to 36 months. The department is making an effort to shift more resources into the community-based services to avoid the costly residential services. In recent years, the Legislature has increased funding for community-based prevention and intervention services to mitigate the need for more costly residential services. The Outlook includes an increase of $1.3 million in recurring General Revenue funds each year for these community-based prevention and intervention programs based on the average increase for these programs over the last three fiscal years.

Transportation and Economic Development (Drivers #44 - #47)

44. Department of Transportation Adopted Work Program (Fiscal Years 2018-2021)

The Department of Transportation develops a Work Program, which is the department's list of transportation projects planned for the following five years. It is supported by a balanced five-year financial outlook with a three-year cash forecast of receipts and expenditures. Funding to support the Work Program comes from a variety of trust fund sources, including federal, state, local, bond proceeds, toll collections, and miscellaneous other receipts. Funding projections for each year of the Adopted Five Year Work Program are currently based on estimates from the Revenue Estimating Conferences held in March 2017 for Transportation Revenue and Documentary Stamp Tax Collections. Changes in project commitments and revenue estimates after July 1, 2017, will be programmed into the Tentative Work Program in January 2018 for legislative consideration.



**Fiscal Year 2017-18 includes $1.2 billion in anticipated roll forward budget from Fiscal Year 2016-17. Each year, a portion of the prior year's budget rolls forward and is added to the current year appropriation. This amount averages approximately $1.3 billion annually.*

Based on the current Adopted Work Program, the Outlook includes funding of $8.6 billion in Fiscal Year 2018-19, $7.9 billion in Fiscal Year 2019-20, and $7.9 billion in Fiscal Year 2020-21 from trust fund revenues.

45. Economic Development and Workforce Programs

The Department of Economic Opportunity is the state's single economic development agency whose purpose is to implement economic development policy. Enterprise Florida, a not-for-profit corporation created by Florida law to promote economic diversification and improvements in Florida's business climate and infrastructure, works closely with the department. Economic development activities include: marketing the state as business friendly, providing financial incentives to attract and grow business, offering grants and loans for low-income and rural areas, and providing funding for innovation and research activities. In addition, the state has structured some incentive programs to promote specific industries that have a large impact on Florida's economy such as the tourism, space, and defense industries. These focused efforts include funding for tourism marketing provided to VISIT FLORIDA, operational and business development funding for Space Florida, and military base protection funding to protect and expand the defense industry. Since the amount of future nonrecurring appropriations cannot be predicted, the Outlook relies on three-year appropriations averages. The Outlook includes a total projection of $49.1 million of nonrecurring General Revenue funds for economic development and workforce programs for each year of the Outlook.

Chapter 2011-138, Laws of Florida, created the State Economic Enhancement and Development (SEED) Trust Fund to fund: strategic transportation facility investments; affordable housing programs and projects; economic development incentives for job creation and capital investment; workforce training associated with attracting new businesses to the state and retaining existing businesses; and tourism promotion and marketing. The SEED Trust Fund was appropriated for the first time in Fiscal Year 2012-13 to fund a variety of economic development activities, either in place of General Revenue or as a supplement. While both fund sources have been utilized for these activities, the 2017 Legislature redirected half of the existing revenue stream to the General Revenue Fund, leaving $75 million of annual deposits for the trust fund. Because the remaining SEED Trust Fund revenues are currently obligated for recurring expenditures, the Outlook funds economic development programs from nonrecurring General Revenue based upon the three-year appropriations average of the total funding provided for these programs.

Traditional Economic Development Programs:

> Qualified Targeted Industry *and* Qualified Defense Contractor and Space Flight Business Programs - Provides cash awards equivalent to certain paid taxes for approved businesses based on the number of new jobs created.
>
> High-Impact Performance Incentives - Provides cash grants to business projects in designated high-impact industries that make large capital investments within Florida.
>
> Quick Action Closing Fund - Provides cash grants to business projects to help Florida compete effectively for high-impact businesses that can provide widespread economic benefits in the state. (No funding has been provided for this program since Fiscal Year 2015-16.)
>
> Rural Community Development Grants and Loans - Provides grants and low-interest loans to designated rural communities in Florida to assist them with economic development efforts.
>
> Military Base Protection - Provides grants and technical assistance to support Florida's Defense Industry and defense-dependent communities.

46. National Guard Armories and Military Affairs Priorities

The Florida Armory Revitalization Plan is intended to renovate Florida's aging Readiness Centers (armories) in accordance with the Capital Improvement Plan. The program concept is to assess, design, and renovate as many facilities per year as possible using a prioritized list contingent on the availability of state funding. The Legislature has provided $109.4 million of General Revenue funding since Fiscal Year 2005-06 in support of the National Guard Armory

Renovations. To date, 52 of Florida's 55 armories have received funding to begin the planned repairs, and construction has been completed on 49 armories. (Three of the 55 armories are not owned by the State of Florida.) The Legislature provided $6 million in Fiscal Year 2017-18. With the Armory Renovation Priority List fully funded and nearing completion, the Legislature also recognized the need for ongoing maintenance and repair for the renovated facilities and has provided $1.7 million annually since Fiscal Year 2015-16.

Since the Legislature has provided all requested funds for the Armory Renovation Priority List, the Outlook does not include any funds for further renovations; however, it does contain $1.7 million of nonrecurring General Revenue for ongoing maintenance and repairs to Florida armories based upon three-year appropriations averages. In addition, the Outlook contains $2.0 million of nonrecurring General Revenue for Fiscal Years 2018-19 and 2019-20 to complete the final two years of a four-year security enhancement plan. The Legislature has provided $2.0 million of General Revenue funding in both Fiscal Year 2016-17 and Fiscal Year 2017-18 in support of the requested security enhancements.

The Department of Military Affairs receives funding for two statutorily-created Florida National Guard community support programs that target at-risk youth and young adults; the Outlook includes $1.9 million of nonrecurring General Revenue each year based on the three-year appropriations average for these programs. The About Face program began in 1997 and is held at local National Guard Armories throughout the state. This program provides life skills and drug awareness training, including mentoring assistance to youth between the ages of 13 and 17. The Forward March program began in 1999 and provides job readiness services for Florida Work and Gain Economic Self-Sufficiency (WAGES) program participants. This is a life skills training program in which clients participate in an activity-based curriculum designed for participants to practice life skills in a real life setting. Participants must meet eligibility requirements for both programs.

Section 250.34, Florida Statutes, provides for medical attention, necessary hospitalization, and pay for troops who become injured while on state active duty, and specifies that the Department of Financial Services, Division of Risk Management, process benefits to certain severely injured or disabled troops who have claims past one year from the date of injury or disability. In January each year, the Division of Risk Management provides the Department of Military Affairs with an invoice for payments and associated legal costs made during the prior calendar year for this purpose. The Outlook includes nearly $0.1 million based on the three-year appropriations average for these claims.

47. Library, Cultural, Historical, and Election Priorities

The Outlook includes nonrecurring General Revenue funding for certain Department of State programs based on three-year appropriations averages. Collectively, the Outlook includes approximately $70.3 million of nonrecurring General Revenue funds for these programs in Fiscal Year 2018-19, $66.3 million in Fiscal Year 2019-20, and $66.7 million in Fiscal Year 2020-21. The Division of Library and Information Services administers grant programs to support the establishment, expansion, and improvement of library service in Florida. Historically, the program obtaining the most additional funding from the Legislature is State Aid to Libraries, which encourages local governments to establish and continue development of free library service to all residents of Florida. Recurring funding for State Aid to Libraries was reduced from $22.3 million to $17.3 million in Fiscal Year 2017-18. The Outlook includes $6.0 million in nonrecurring General Revenue for State Aid to Libraries based on a three-year appropriations average of total General Revenue funding for this program. The Outlook also includes $2.0 million based on the three-year appropriations average for Public Library Construction Grants to encourage the growth of public libraries.

The Division of Cultural Affairs administers four types of grant programs: Cultural and Museum Grants, Specific Cultural Project Grants, Cultural Endowment Grants, and Cultural Facility Grants. Cultural and Museum and Cultural Project grant programs provide funding for science museums, youth and children's museums, historical museums, local arts agencies, state service organizations, and organizations that have cultural program activities. Cultural Endowment grants create an endowment matching fund program to provide operating resources to not-for-profit Florida corporations in good standing with the Florida Division of Corporations. In addition, Cultural Facility grants provide state support for the acquisition, renovation, and construction of cultural facilities such as performing art centers and museums. The three-year appropriations average for cultural/museum and facility grants is approximately $43.8 million.

The Division of Historical Resources administers two grant programs that assist in the identification, excavation, protection, and rehabilitation of historic and archaeological sites; provide public information and museum exhibits on the history of Florida; and encourage preservation in smaller cities and rural areas. The three-year appropriations average for these two historic grant programs is approximately $13.6 million.

The Division of Elections administers the Florida Election Code, chapters 97 through 106, Florida Statutes, which regulates all state and county elections. Portions of the election code also pertain to municipalities and special districts in the state and to federal elections. Elections are conducted in Florida almost every week of the year by county supervisors of elections or city clerks. Major state and county elections are held in even-numbered years. The division is required by law to pay for the costs of special elections; the costs of statewide litigation relating to elections lawsuits; and the cost to advertise constitutional amendments. These costs are considered in developing the Outlook. The three-year appropriations average funding for statewide litigation issues is $0.2 million and an average of $0.4 million is included for advertising constitutional amendments in even-numbered, election years. The Outlook also includes $4.2 million in nonrecurring General Revenue in Fiscal Year 2018-19 for special elections reimbursements based on the three-year average of $0.7 million, and current invoices for Miami-Dade and Orange counties. The second and third years of the Outlook include only the three-year average appropriation.

Natural Resources (Drivers #48 & #49)

48. Water and Land Conservation

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

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

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

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

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

The 2015 Legislature amended section 201.15, Florida Statutes, (section 9, chapter 2015-229, Laws of Florida), to provide the 33 percent distribution to the LATF required by the Florida Constitution. Based on the August 2017 Revenue Estimating Conference, the revenue to be distributed to the LATF over the three years of the Outlook is estimated to be $862.22 million for Fiscal Year 2018-19, $894.24 million for Fiscal Year 2019-20, and $926.55 million for Fiscal Year 2020-21 (see pages 55-56 for a more detailed discussion). The Outlook assumes a reserve within the Fiscal Year 2018-19 LATF distribution similar to reserves established for the General Revenue Fund and other trust funds.

The 2015 Legislature in chapter 2015-229, Laws of Florida, also eliminated the distributions to other environmental trust funds whose purposes were consistent with the constitutional amendment. These trust funds include the Conservation and Recreation Lands Trust Fund, Conservation and Recreation Lands Program Trust Fund, Ecosystem Management and Restoration Trust Fund, General Inspection Trust Fund, Invasive Plant Control Trust Fund, State Game Trust Fund, Water Management Lands Trust Fund, and Water Quality Assurance Trust

Fund. In the Fiscal Year 2015-16 General Appropriations Act, the Legislature also shifted appropriations from those trust funds to the LATF where appropriate, consistent with the constitutional amendment.

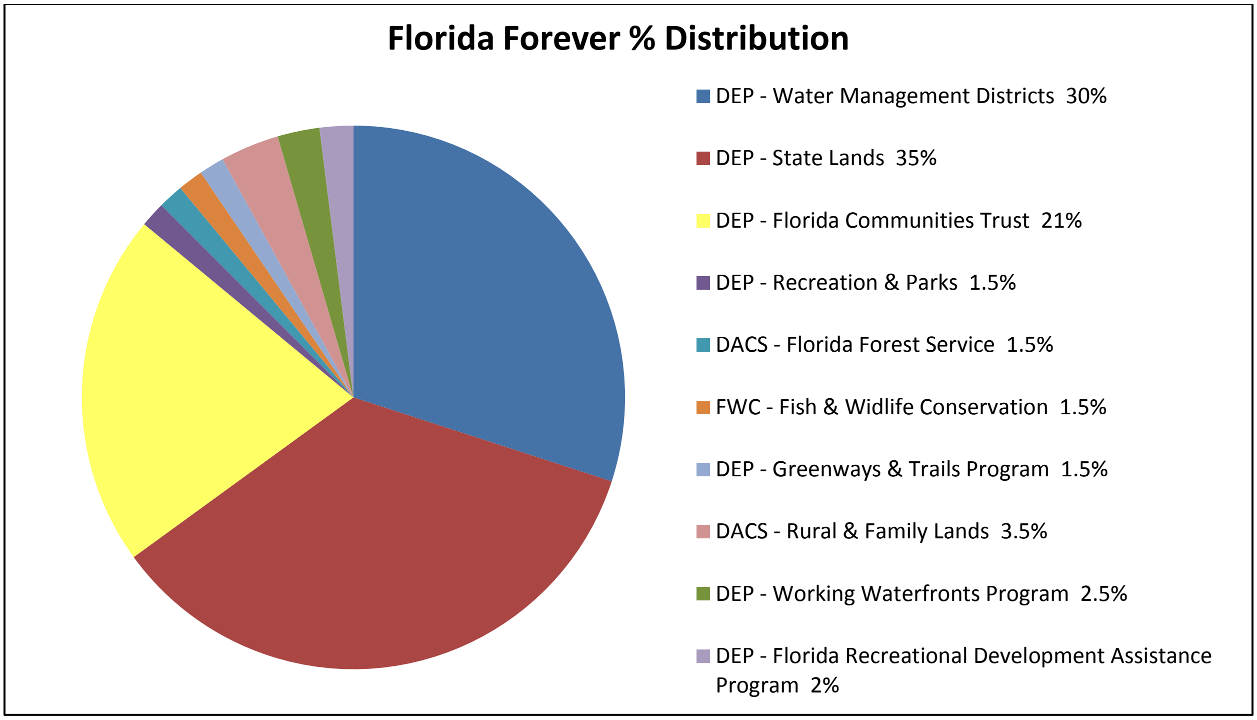
In 2016, the Legislature passed House Bill 989 (chapter 2016-201, Laws of Florida), which designated that a portion of funds deposited into the LATF be appropriated for Everglades restoration projects. The provision requires that a minimum of the lesser of 25 percent or $200 million from the LATF be appropriated for Everglades restoration projects, which implement the Comprehensive Everglades Restoration Plan (CERP), including the Central Everglades Planning Project, the Long-Term Plan, and the Northern Everglades and Estuaries Protection Program. The legislation also requires that a minimum of the lesser of 7.6 percent or $50 million be appropriated annually for spring restoration, protection, and management projects. Finally, the legislation requires that $5 million be appropriated annually through the 2025-26 fiscal year for projects dedicated to the restoration of Lake Apopka.

In 2017, the Legislature passed Senate Bill 10 (chapter 2017-10, Laws of Florida), which appropriates, beginning in Fiscal Year 2018-19, $64 million to the EAA reservoir project, which is known as Component G of the Comprehensive Everglades Restoration Plan and is located in the Everglades Agricultural Area. Any funds remaining in a fiscal year from that project are made available for Phase II of the C-51 reservoir project or the Everglades restoration projects passed in chapter 2016-201, Laws of Florida, in addition to the lesser of $200 million or 25 percent of LATF already available for Everglades restoration projects.

Components of water and land conservation include, but are not limited to, the Florida Forever Program; Everglades restoration; springs protection, restoration, and preservation; Lake Apopka restoration; and land management. Each of these areas is discussed below. Where the estimates exceed the amounts available from the LATF for the various water and land conservation programs, the Outlook assumes that the LATF projected shortfall will be supplemented by General Revenue based on legislative appropriations in prior years.

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

[SEE CHART ON FOLLOWING PAGE]



Previously, the Legislature authorized bonds for the state's land acquisition programs secured by a pledge of Documentary Stamp Tax revenue or paid for purchases with General Revenue funds or trust fund cash balances. The debt service required for environmental bonds decreased by $230.6 million in Fiscal Year 2013-14 because certain environmental bonds (Preservation 2000) had been retired. The bonding capacity for the Florida Forever program is statutorily limited to total annual debt service of no more than $300.0 million. The annual debt service for outstanding Florida Forever bonds is approximately $146.3 million in Fiscal Year 2018-19 and declines thereafter.

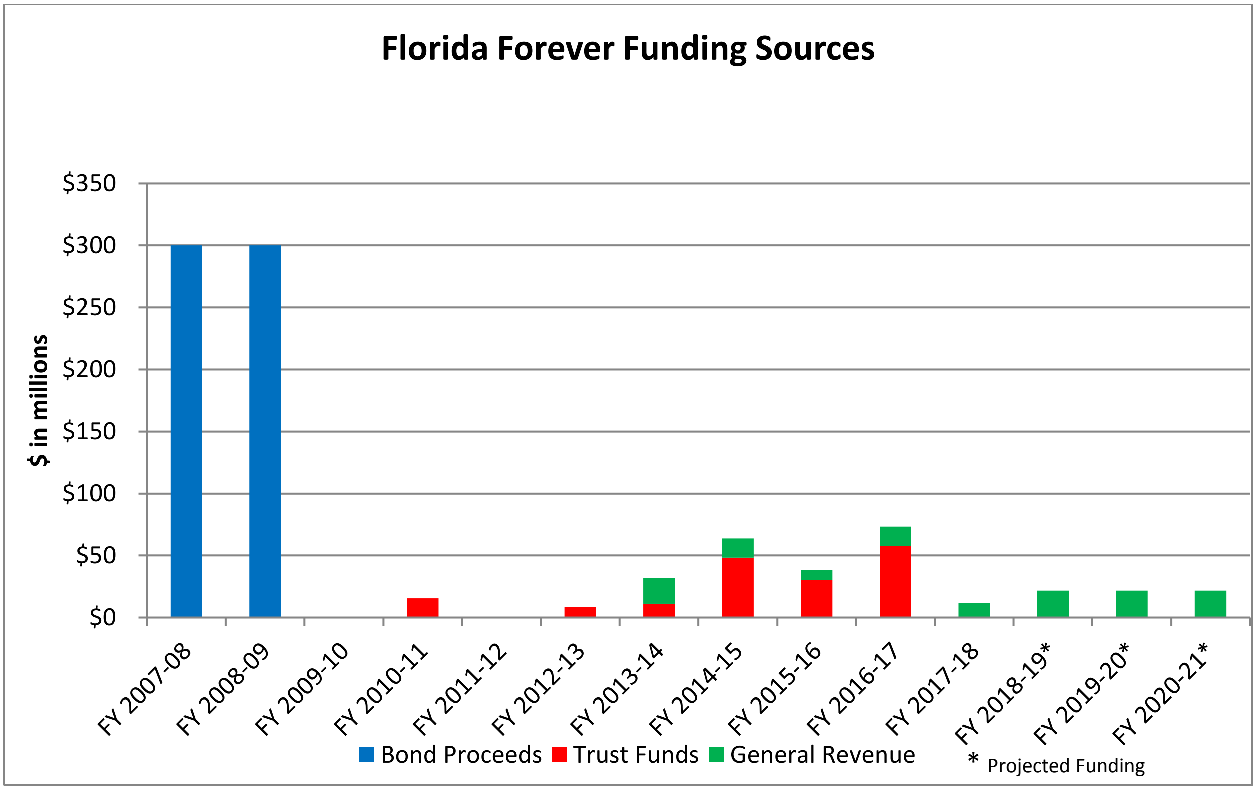
The 2016 Legislature amended section 259.105, Florida Statutes, to require that at least $5 million of the 35 percent of the funds distributed to the Department of Environmental Protection under the Florida Forever program be allocated for land acquisition within the Florida Keys Area of Critical State Concern. This distribution continues through the 2026-27 fiscal year.

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

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

Florida Recreational Development Assistance Program – The Florida Recreation Development Assistance Program (FRDAP) is a competitive grant program that receives a Florida Forever distribution of 2.0 percent. The FRDAP provides grants to local governments for the acquisition or development of land for public outdoor recreation use or to construct or renovate recreation trails. Applications are reviewed and ranked by the Department of Environmental Protection on an annual basis.

Because it is unknown whether the Legislature will authorize additional bonding, the Outlook assumes a three-year appropriations average of approximately $21.7 million each year from nonrecurring General Revenue for Fiscal Years 2018-19 through 2020-21.



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

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

Comprehensive Everglades Restoration Plan, the Northern Everglades and Estuaries Protection Program, and the Everglades Restoration Investment Act.

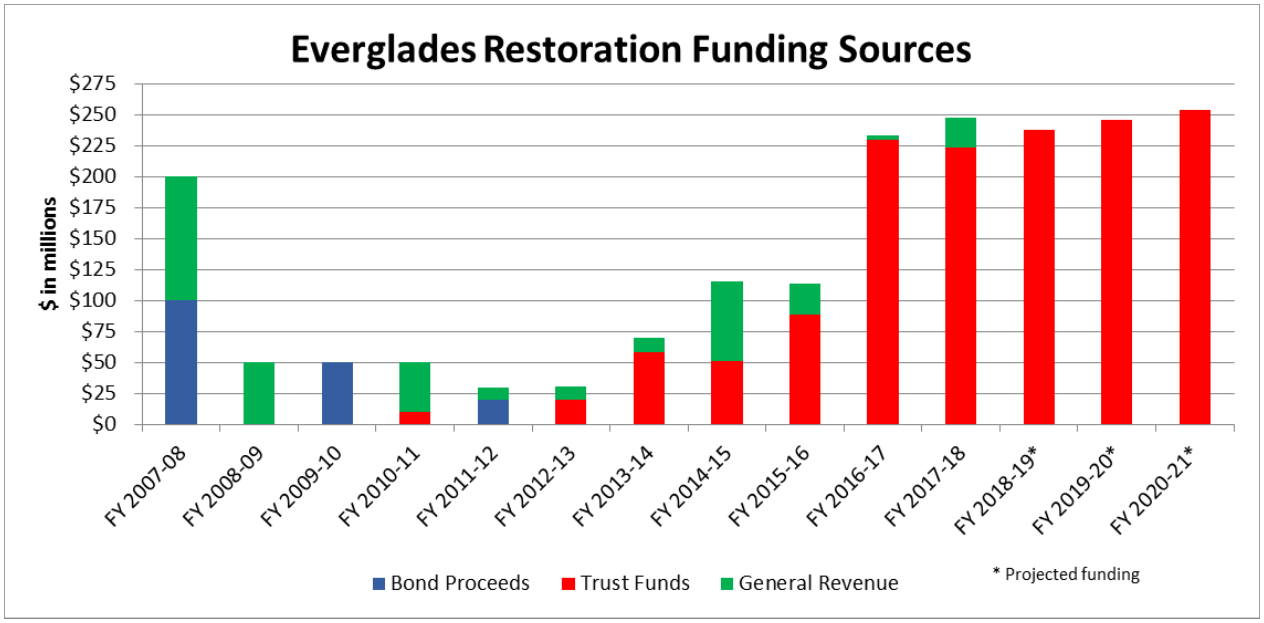
The Comprehensive Everglades Restoration Program (CERP) is a large, comprehensive, long-term 50-50 partnership with the federal government to restore the Everglades. The plan, originally approved by the 2000 federal Water Resources Development Act, includes more than 60 projects that will take more than 30 years to complete and will cost an estimated $13.5 billion. In 2000, the Legislature passed the Everglades Restoration Investment Act, which provided the framework for the state to fund its share of the partnership, through cash or bonds to finance or refinance the cost of acquisition and improvement of land and water areas necessary for implementing CERP. In 2007 and 2008, the Legislature expanded the use of the Save Our Everglades Trust Fund and bonds issued for Everglades Restoration to include the Lake Okeechobee Watershed Protection Plan, the River Watershed Protection Plans, and the Keys Wastewater Plan.

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

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

Excluding the technical water quality plan recurring funding initiated in the 2013-14 fiscal year, the Legislature has authorized bond proceeds and appropriated General Revenue and trust funds for Everglades Restoration projects as shown in the graph on the following page. Bonds may be issued in an amount not to exceed $100.0 million per fiscal year, unless specifically approved by the Legislature. The annual debt service for outstanding bonds is $24.0 million for Fiscal Years 2018-19 through 2024-25 and declines thereafter. It is unknown whether the Legislature will authorize additional bonding. Based on the requirements of chapters 2016-201 and 2017-10, Laws of Florida, the Outlook assumes funding from state trust funds of $172.8 million for Fiscal Year 2018-19, $180.8 million for Fiscal Year 2019-20, and $188.9 million for Fiscal Year 2020-21 for Everglades restoration projects. The Outlook also assumes a three-year average of $12.9 million in nonrecurring General Revenue funds for each year.

[SEE GRAPH ON FOLLOWING PAGE]



Springs Protection – Florida is home to one of the largest concentrations of freshwater springs in the world. The Florida Springs Initiative is a comprehensive, coordinated program to improve spring water quality and flow through improved research, monitoring, education, landowner assistance, and conservation. Based on the requirement in chapter 2016-201, Laws of Florida, the Legislature appropriated $50 million of recurring funds from the LATF for Fiscal Year 2016-17. Therefore, no additional funds are included in the Outlook for Fiscal Years 2018-19 through 2020-21 for spring restoration, protection, and management projects.

Lake Apopka – Lake Apopka, the fourth-largest lake in Florida, was once a world-class bass fishery. Over many decades, impacts to the lake have led to its designation as Florida's most polluted large lake. The St. John's River Water Management District (SJRWMD) and its partners have been working to reduce the total phosphorus and other solids in the water to improve water quality and to restore wildlife habitat and wetlands. Based on the requirement in chapter 2016-201, Laws of Florida, the Outlook assumes funding of $5 million each year from the LATF for Fiscal Years 2018-19 through 2020-21.

Land Management – More than 9.8 million acres of conservation and recreation lands in Florida[10] are managed by four primary state agencies: the Department of Agriculture and Consumer Services, the Department of Environmental Protection, the Fish and Wildlife Conservation Commission, and the Department of State. These agencies provide recreational opportunities, preserve the state's forestry resources, provide wildlife and habitat protection, provide law enforcement, and preserve historical and archaeological resources for all of Florida's residents and visitors. Land management plans are developed, adopted, and reviewed every ten years to ensure that the short- and long-term goals by which the lands were acquired are being fulfilled.

[10] Department of Environmental Protection, State of Florida Land Management Uniform Accounting Council 2016 Annual Report (Fiscal Year 2015-16).

In Fiscal Year 2017-18, the Legislature provided an additional $15.3 million for land management activities, including construction, improvement, enlargement, extension, and operation and maintenance of capital improvements and facilities from the General Revenue Fund and state trust funds. The Outlook assumes a three-year average appropriation of $10.7 million of nonrecurring General Revenue funds and $37.4 million of nonrecurring funding from state trust funds for each year of the Outlook.

The Outlook assumes continued funding for other water and land programs from the LATF revenues within the Department of Agriculture and Consumer Services, the Department of Environmental Protection, and the Fish and Wildlife Conservation Commission. Funds are also used for developing best management practices for water quantity and water quality issues involving agricultural and non-agricultural activities, which include water conservation, nonpoint source pollution prevention in priority watersheds and ground water protection, threshold limits on pollutants in surface waters, and public education programs on nonpoint source management. In addition, funds are used for invasive plant control, which eliminates or reduces aquatic or non-native plants destructive to the state's natural ecosystems, and lake restoration, which includes freshwater aquatic habitat enhancement. Funds are also used for beach restoration, which serves to repair and restore the state's critically eroded beaches. However, the Outlook does not specifically address beach restoration caused by future tropical storms, hurricanes, or other natural disaster damages yet to occur. The Outlook includes funding of $53.9 million of nonrecurring General Revenue for each year of the Outlook.

49. Other Agricultural and Environmental Programs

The Outlook includes funding for programs within the Departments of Environmental Protection and Agriculture and Consumer Services and the Fish and Wildlife Conservation Commission based on three-year appropriations averages. The major programs include:

Water Projects – The Outlook includes funding for traditional water projects. These projects historically were funded by a former statutory sales tax distribution projected by the General Revenue Estimating Conference. In Fiscal Year 2009-10, this funding was redirected to the General Revenue Fund. The Outlook assumes the three-year appropriations average of $70.2 million funded from nonrecurring General Revenue each fiscal year during the three-year period contained in the Outlook.

Drinking Water and Wastewater Revolving Loan Programs – The Outlook includes a state match to all estimated federal dollars available to maximize low interest loans to the state's local governments for needed infrastructure. For the three-year forecast period, the Outlook includes nonrecurring General Revenue as the fund source. The Outlook includes $5.1 million in Fiscal Year 2018-19, $6.4 million in Fiscal Year 2019-20, and $6.4 million in Fiscal Year 2020-21 for the Drinking Water Revolving Loan Program. The Outlook also includes $11.4 million in Fiscal Year 2018-19, $9.4 million in Fiscal Year 2019-20, and $9.4 million in Fiscal Year 2020-21 for the Wastewater Revolving Loan Program.

Florida Keys – The Legislature designated the Florida Keys (Monroe County and its municipalities) and the City of Key West as Areas of Critical State Concern in 1975 as a result of the area's environmental sensitivity and mounting development pressures. The 2008 Legislature authorized an additional amount of Everglades bonds not to exceed $200 million, and limited to $50 million per fiscal year, specifically for the purpose of funding the Florida Keys Area of Critical State Concern protection program. The Legislature authorized the issuance of $50 million in Everglades Restoration bonds in Fiscal Year 2012-13 and Fiscal Year 2014-15 to fund wastewater treatment efforts in the Florida Keys.

The 2016 Legislature amended section 215.619, Florida Statutes, (chapter 2016-225, Laws of Florida), to expand the use of Everglades restoration bonds for projects that protect, restore, or enhance near shore water quality and fisheries, including stormwater or canal restoration projects and projects that protect water resources available to the Florida Keys. The Outlook assumes a three-year appropriations average of $6.1 million from nonrecurring General Revenue for each year of the Outlook.

<u>Agricultural Programs</u> – Agriculture continues to be an important industry in Florida. Based on the three-year appropriations averages, $29.2 million in nonrecurring General Revenue and $0.6 million in recurring General Revenue is included for each fiscal year in the Outlook. This includes funding for water quality improvement initiatives and water conservation and supply planning. The Outlook also includes aquaculture research grants to develop and implement innovative production techniques, including ornamental fish and aquatic plant production and biotechnology. Funds are also included for the replacement of critical wildfire suppression equipment, promotional campaigns for agricultural commodities, citrus greening research and citrus health management areas, agricultural promotional and educational facilities, and the distribution of food to needy families through food pantries, soup kitchens, and shelters. Finally, the Outlook assumes the use of General Revenue funds to support the Agricultural Emergency Eradication Trust Fund. Section 570.1912, Florida Statutes, requires an appropriation from the General Revenue Fund to the Agriculture Emergency Eradication Trust Fund in an amount equal to the previous year's transfer into the trust fund from fuel tax collections. Based on the results of the August 2017 Transportation Revenue Estimating Conference, the Outlook includes nonrecurring General Revenue of $12.4 million in Fiscal Year 2018-19, $12.9 million in Fiscal Year 2019-20, and $13.3 million in Fiscal Year 2020-21.

<u>Fish and Wildlife Conservation Programs</u> – The mission of the Fish and Wildlife Conservation Commission (FWC) is to manage fish and wildlife resources for their long-term well-being and the benefit of people. Fish and wildlife conservation is important to the economy, environment, and ecology in Florida. The Outlook includes funding for two programs within the FWC—nonnative species reduction and black bear conflict reduction. Nonnative species are invasive species that have a negative impact on native species and habitat. The funding for nonnative species has included lionfish, pythons, and tegus. Increasing human-bear conflicts are a concern in Florida as both human and bear populations increase, occupied bear ranges expand, and human development continues to reduce bear habitat. The funding for black bear conflict reduction has focused on education and outreach, direct interventions, and work in communities to address waste management. Based on the three-year appropriations averages, approximately $0.6 million from nonrecurring General Revenue and $0.2 million from recurring General Revenue for the combined programs are included in each year of the Outlook.

General Government (Drivers #50 & #51)

50. Other General Government Priorities

Child Support Enforcement Annual Fee – The federal government requires an annual $25 fee from each non-public assistance parent utilizing the services of the Department of Revenue's Child Support Enforcement program. Historically, the Legislature has provided General Revenue funds to cover the cost of the annual $25 fee for parents utilizing child support enforcement services. In Fiscal Year 2017-18, the General Appropriations Act included $2,080,000 in recurring General Revenue to cover the cost of this annual fee. However, future projections indicate a need for funding above this level. The Outlook includes $334,017 in recurring General Revenue for Fiscal Year 2018-19, $350,030 in recurring General Revenue for Fiscal Year 2019-20, and $82,929 in recurring General Revenue for Fiscal Year 2020-21 for this purpose.

Aerial Photography – The Department of Revenue assists small county property appraisers by providing aerial photographs for counties with a population of 25,000 or less. Over the last several years, the Legislature has directed the department to provide aerial photographs for counties with a population of 50,000 or less. The Outlook assumes the continuation of this policy and provides nonrecurring General Revenue of $1,174,040 in Fiscal Year 2018-19, $265,870 in Fiscal Year 2019-20, and $167,299 in Fiscal Year 2020-21.

Florida Interoperability Network and Mutual Aid – The state has developed and implemented the Florida Interoperability Network (FIN) and Mutual Aid (MA) channels. These systems provide local public safety emergency responders the ability to communicate on the Statewide Law Enforcement Radio Network, both in and outside their respective jurisdictions. Network construction is complete, and the Outlook provides funding for continued operations. Historically, funding for the development and maintenance of the FIN and MA systems has been provided from federal domestic security grants; however, this funding source is no longer available. For each year of the three-year forecast, the Outlook includes approximately $1.3 million for FIN and approximately $0.6 million for MA of nonrecurring General Revenue.

Florida Accounting Information Resource (FLAIR) Replacement – The Department of Financial Services has begun the planning and design for the next generation accounting system to replace FLAIR. This is a multi-year project, and $8.5 million from nonrecurring trust fund resources was provided in Fiscal Year 2016-17. In Fiscal Year 2017-18, the department was provided $21.9 million in nonrecurring trust funds for the initial contract and system replacement and an additional $3 million in recurring trust funds for FLAIR replacement staffing needs. Based upon the department's business case to replace the system, the Outlook includes $11.6 million nonrecurring General Revenue and $21.5 million from nonrecurring trust funds in Fiscal Year 2018-19, $25.5 million nonrecurring General Revenue and $22.1 million from nonrecurring trust funds for Fiscal Year 2019-20, and $21.4 million nonrecurring General Revenue and $22.6 million from nonrecurring trust funds for Fiscal Year 2020-21.

Compulsive Gambling – Section 551.118, Florida Statutes, requires the Department of Business and Professional Regulation to contract with a private provider for a compulsive and addictive gambling prevention program and funds the program from the annual $250,000 fee assessed to each slot machine licensee. The Outlook includes a three-year average of $0.3 million from nonrecurring General Revenue for each of the Fiscal Years 2018-19 through 2020-21 to continue the funding level appropriated in Fiscal Year 2017-18.

Statewide Law Enforcement Radio System (SLERS) – The Department of Management Services is responsible for the administration of the statewide radio communications system for law enforcement and first responders. The current 20-year contract is set to expire in 2021. The department is in the process of developing a procurement to replace the current system in addition to implementing new mission critical P25 Phase 2 service delivery, resulting in improved and expanded coverage, reliability, and audio clarity. It is anticipated that the replacement of the current system will require a four-year transition period and include overlap of costs. Based upon the department's business case to replace the system, the Outlook includes $7.6 million recurring General Revenue in Fiscal Year 2019-20 and $11.4 million in recurring General Revenue in Fiscal Year 2020-21.

51. State Building Pool – General Repairs and Maintenance

The Outlook assumes funding for general repairs and maintenance of facilities in the Florida Facilities Pool (state-owned facilities located throughout Florida). The Department of Management Services is responsible for maintaining these facilities. The current list of general building repair deficiencies totals approximately $287.9 million. General repairs and maintenance projects include roofs, windows, doors, facades, HVAC, electrical, plumbing, and office space renovations. The state facilities must be maintained in order to preserve the state's assets and for bond coverage purposes. The Outlook includes a three-year average of funding of $17.0 million from nonrecurring General Revenue and $11.2 million from nonrecurring trust fund resources for each of the Fiscal Years 2018-19 through 2020-21 for general building repairs (see related Driver #53 that funds critical life safety deficiency repairs). In addition, the Fiscal Year 2019-20 estimate includes $30.0 million from nonrecurring General Revenue for the replacement of the Waller Park Plaza (Capitol Complex).

Administered Funds & Statewide Issues (Drivers #52 & #53)

52. State Employee Pay Issues

The Outlook includes funding for state employees pay issues of $37.9 million of recurring General Revenue and $27.2 million of recurring trust fund expenditures based upon the three-year average historical funding levels for competitive pay adjustments and merit and retention pay adjustments, including adjustments for targeted groups of employees.

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

Human Services – Maintenance and repair projects are based on critical life safety issues for state-owned facilities, which include state laboratories and state institutions. The Outlook includes funding for the Department of Health, the Department of Veterans' Affairs, the Department of Children and Families, and the Agency for Persons with Disabilities totaling $6.1 million each year from nonrecurring General Revenue and $3.1 million from trust funds for

Fiscal Year 2018-19 through Fiscal Year 2020-21, based on the three-year appropriations average.

Criminal Justice – The Florida Department of Corrections is responsible for the major repair and renovation needs of over 80 facilities statewide. Many of these facilities are old, and the physical plant systems are well past their original operational life expectancy. The department’s projection for the next five years identifies over $290 million in needs, which addresses major maintenance issues as well as environmental concerns, Americans with Disabilities Act (ADA) compliance, and security improvements. The Outlook includes $11.2 million each year from nonrecurring General Revenue funds based on the average funding over the last three years.

The Department of Juvenile Justice is responsible for the upkeep and care of 94 residential and detention facilities. The Legislature recognizes the importance of keeping these facilities safe and functional. The department’s projection for the next five years includes an estimated need of $55 million to address critical repairs and renovations for the safety and functionality of these facilities. The Outlook includes $4.9 million each year from nonrecurring General Revenue funds based on the average funding over the last three years.

Judicial Branch – The state is responsible for the facility needs of the Supreme Court and district courts of appeal. The Outlook includes $4.6 million in nonrecurring General Revenue funds each year based on the average funding over the last three years.

Department of Transportation – The Outlook includes funding for environmental site restoration and capital renewal projects affecting critical life, health, and safety issues at various Department of Transportation facilities located throughout the state. Environmental site restoration is a remediation effort to restore facilities to an environmentally uncontaminated, clean, and safe condition based on the Federal Resource Conservation and Recovery Act. Capital renewal projects include repairs, replacement, renovation, and improvements to statewide facilities for code compliance and mitigating health and welfare concerns. Based on a projection of code correction issues for the coming year, and a three-year appropriations average for environmental site restoration, the Outlook includes $5.4 million per year in State Transportation Trust Fund revenues.

Natural Resources – The Outlook includes funding for life and safety repairs for agricultural and wildlife conservation infrastructure located throughout the state. These improvements include state offices and laboratories, forestry wildfire prevention facilities, and state farmers markets. The Outlook includes nonrecurring General Revenue of $8.0 million for Fiscal Year 2018-19, $1.6 million for Fiscal Year 2019-20, and $1.1 million for Fiscal Year 2020-21.

General Government – The Outlook includes funding for life safety and ADA repairs of facilities in the Florida Facilities Pool (state-owned facilities located throughout Florida). The Department of Management Services is responsible for maintaining these facilities. The current list of deficiencies related to critical life safety and ADA issues is approximately $201.5 million. Life safety projects include fire sprinklers, fire alarms, elevators, smoke control systems, and other systems critical to the safety of occupants.

ADA compliance is dictated by standards set in the Code of Federal Regulations and is administered by the U.S. Department of Justice. The most recent update in 2012 required compliance surveys and transition plans for all public buildings. The current list of ADA compliance projects for the Florida Facilities Pool is a result of updated surveys and serves as the transition plan for the updated 2012 regulations. Projects include restroom renovations, elevator lobby modifications, outdoor pavilion upgrades, sidewalk improvements, and any other project needed to improve accessibility. The state facilities must be maintained in order to preserve the state's assets and for bond coverage purposes.

The Outlook includes a three-year average of funding of $5.1 million from nonrecurring General Revenue and $0.4 million of nonrecurring trust fund resources for each of the Fiscal Years 2018-19 through 2020-21, for life safety and ADA deficiencies. In addition, the Fiscal Year 2018-19 estimate includes $30.0 million from nonrecurring General Revenue for repairs needed to the House Office Building garage.

Tier 3 Adjustments to the General Revenue Fund

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

Recurring ($ millions)	2017-18	2018-19	2019-20	2020-21
Revenue Estimate	30,649.4	31,925.2	33,193.7	34,428.3
BP Settlement Agreement	26.7	26.7	26.7	26.7
Release of Indian Gaming Reserve	0.0	0.0	0.0	0.0
Non-Operating Funds	(0.7)	(0.4)	(0.4)	(0.4)
change from tax and significant fee changes				
• continuing tax and fee changes		*(141.1)*	*(141.1)*	*(141.1)*
• recurring impact of prior years' tax and fee changes		*0.0*	*(141.1)*	*(282.3)*
• time-limited tax and fee changes		*0.0*	*0.0*	*0.0*
change from trust fund transfers (GAA)		*0.0*	*0.0*	*0.0*
Balance Forward from Prior Year	0.0	0.0	0.0	0.0
Unused Reserve from Prior Year	0.0	0.0	0.0	0.0
TOTAL	30,675.4	31,810.4	32,937.8	34,031.2
net change from revenue adjustments		*(141.1)*	*(282.3)*	*(423.4)*

Nonrecurring ($ millions)	2017-18	2018-19	2019-20	2020-21
Revenue Estimate	276.6	276.2	281.2	286.2
BP Settlement Agreement	(26.7)	0.0	0.0	0.0
Release of Indian Gaming Reserve	226.8	0.0	0.0	0.0
Non-Operating Funds	553.7	98.3	98.3	98.3
change from tax and significant fee changes				
• continuing tax and fee changes		*51.6*	*51.6*	*51.6*
• time-limited tax and fee changes		*(63.9)*	*(63.9)*	*(63.9)*
change from trust fund transfers (GAA)	*0.0*	*323.6*	*323.6*	*323.6*
Balance Forward from Prior Year	1,363.9	1,428.9	52.0	0.0
Unused Reserve from Prior Year	0.0	0.0	1,000.0	1,000.0
TOTAL	2,394.3	2,114.7	1,742.8	1,695.8
net change from revenue adjustments		*311.3*	*311.3*	*311.3*

TOTAL ($ millions)	2017-18	2018-19	2019-20	2020-21
Revenue Estimate	30,926.0	32,201.4	33,474.9	34,714.5
BP Settlement Agreement	0.0	26.7	26.7	26.7
Release of Indian Gaming Reserve	226.8	0.0	0.0	0.0
Non-Operating Funds	553.0	97.9	97.9	97.9
change from tax and significant fee changes				
• continuing tax and fee changes		*(89.5)*	*(89.5)*	*(89.5)*
• recurring impact of prior years' tax and fee changes		*0.0*	*(141.1)*	*(282.3)*
• time-limited tax and fee changes		*(63.9)*	*(63.9)*	*(63.9)*
change from trust fund transfers (GAA)	*0.0*	*323.6*	*323.6*	*323.6*
Balance Forward from Prior Year	1,363.9	1,428.9	52.0	0.0
Unused Reserve from Prior Year	0.0	0.0	1,000.0	1,000.0
TOTAL GR Available	33,069.7	33,925.1	34,680.6	35,727.0
net change from revenue adjustments		170.2	29.0	(112.1)

Key Revenue Adjustments to the General Revenue Fund Worksheet

Long-Range Financial Outlook Issues Summary Fiscal Year 2018-19 through Fiscal Year 2020-21	Fiscal Year 2018-19		Fiscal Year 2019-20		Fiscal Year 2020-21	
	Total GR	Total Major TF	Total GR	Total Major TF	Total GR	Total Major TF
Revenue Adjustments						
1 Tax and Significant Fee Reductions						
1a Continuing Tax and Fee Changes	(89.5)	0.0	(89.5)	0.0	(89.5)	0.0
1b Recurring Impact of Prior Years' Tax and Fee Changes	0.0	0.0	(141.1)	0.0	(282.3)	0.0
1c Time-Limited Tax and Fee Changes	(63.9)	0.0	(63.9)	0.0	(63.9)	0.0
2 Trust Fund Transfers (GAA)*	323.6	0.0	323.6	0.0	323.6	0.0
Total Tier 3 - Revenue Adjustments	**170.2**	**0.0**	**29.0**	**0.0**	**(112.1)**	**0.0**

**Note: There would be a corresponding deduct from trust funds; however, the specific trust funds from which transfers would be made are currently unknown, but typically do not include the major trust funds tracked in the Outlook. In addition, some numbers may not add due to rounding.*

Key Revenue Adjustments to the General Revenue Fund

Continuing the structural changes begun two years ago, this volume of the Long-Range Financial Outlook includes revenue adjustments that reflect legislative actions which alter the revenue-side of the state's fiscal picture. They are identified on the Key Revenue Adjustments to the General Revenue Fund Worksheet and described below.

Tax and Significant Fee Changes

Every year, the Legislature adopts a number of statutory changes that affect state and local government revenues. Some increase or reduce revenues, while others transfer funds between different funds or levels of government without affecting state revenue receipts. After the Legislature adjourns, the Revenue Estimating Conference produces fiscal impacts for each measure, and these are compiled in a document entitled *Measures Affecting Revenues*. The document is published by the Legislative Office of Economic and Demographic Research and is available on its website.[11]

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

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

The first table on the following page shows the fiscal impact of tax and fee measures adopted by the Legislature in the last three years. It separates those items that are continuing from those items that are time-limited and shows them in two rows. The second table (immediately below the first) calculates the three-year average for this period. Some of the numbers have been rounded and may not add as displayed.

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

	2015-16			2016-17			2017-18		
	Rec	**NR**	**Total**	**Rec**	**NR**	**Total**	**Rec**	**NR**	**Total**
Continuing Tax and Fee Changes	(248.7)	24.3	(224.4)	(63.4)	57.7	(5.7)	(111.3)	72.8	(38.5)
Time-Limited Tax and Fee Changes	0.0	(117.4)	(117.4)	0.0	(36.6)	(36.6)	0.0	(37.7)	(37.7)
Total	**(248.7)**	**(93.1)**	**(341.8)**	**(63.4)**	**21.1**	**(42.3)**	**(111.3)**	**35.1**	**(76.2)**

	Three-Year Average		
	Rec	**NR**	**Total**
Continuing Tax and Fee Changes	(141.1)	51.6	(89.5)
Time-Limited Tax and Fee Changes	0.0	(63.9)	(63.9)
Total	**(141.1)**	**(12.3)**	**(153.4)**

In each of the three years, the largest time-limited impacts were the back to school sales tax holidays. For Fiscal Year 2015-16, college textbooks were also exempt from sales tax. The largest continuing impacts were the state Communications Services Tax rate reduction in Fiscal Year 2015-16, the permanent sales tax exemption for the purchase of machinery and equipment related to manufacturing in Fiscal Year 2016-17, and the 0.2 percentage point reduction to the sales tax on commercial rents in Fiscal Year 2017-18.

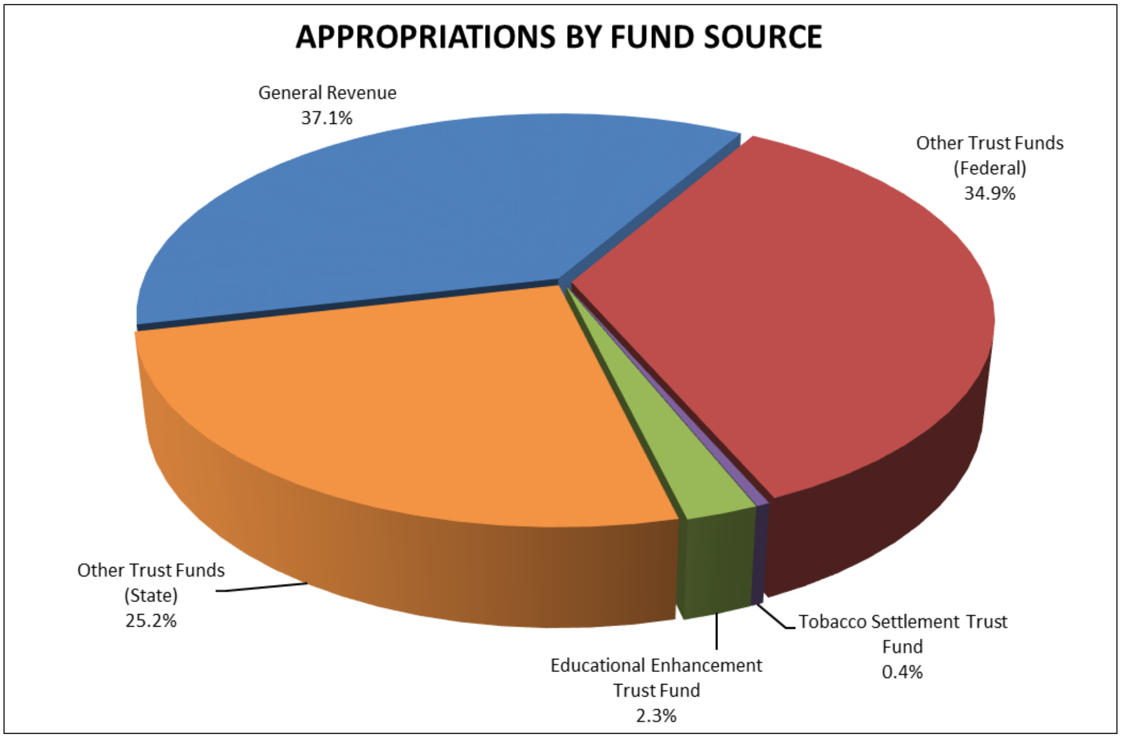
The Tier 3 Table on page 22 includes the three-year averages of tax and fee changes (both continuing and time-limited) for each of the Outlook years in order to show the effects of the Legislature continuing this policy. The average time-limited impact of $63.9 million is discretely added to each year of the Outlook, while the continuing tax and fee impacts also reflect the cumulative or stacking effects of prior year changes as the years progress.

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

	2018-19			2019-20			2020-21		
	Rec	**NR**	**Total**	**Rec**	**NR**	**Total**	**Rec**	**NR**	**Total**
Year 1 Annual Effects	(141.1)	51.6	(89.5)	(141.1)	0.0	(141.1)	(141.1)	0.0	(141.1)
Year 2 Annual Effects	-	-	-	(141.1)	51.6	(89.5)	(141.1)	0.0	(141.1)
Year 3 Annual Effects	-	-	-	-	-	-	(141.1)	51.6	(89.5)
Total	**(141.1)**	**51.6**	**(89.5)**	**(282.3)**	**51.6**	**(230.7)**	**(423.4)**	**51.6**	**(371.8)**

Trust Fund Transfers (GAA)

For various reasons, trust funds are created to set aside or earmark a portion of state revenue for particular uses. Typically, trust funds are used to dedicate special purpose funds, segregate federal assistance monies, transfer funds to local government, or isolate bond proceeds. For Fiscal Year 2017-18, appropriations were made from 169 different trust funds, totaling $53.4 billion. Approximately $29.7 billion was appropriated from federal revenue sources and $23.8 billion from state revenue sources. On the following chart, state trust fund appropriations comprise 25.2 percent of the total state budget; once the Educational Enhancement Trust Fund and the Tobacco Settlement Trust Fund are included, the percentage rises to nearly 28.0 percent.



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

The average is calculated exclusive of transfers related to constitutional amendments (e.g., conforming changes related to Amendment 1 that passed in 2014); transfers associated with consensus estimating conferences; and transfers related to permanent law changes significantly affecting a trust fund identified with a sweep that passed during the same session. The three-year average transfer using this calculation methodology is $323.6 million, which is included as a nonrecurring adjustment to available General Revenue in each year of the Outlook. Note that Fiscal Year 2017-18 had a particularly large number of qualifying transfers that collectively increased the average by $81.1 million from last year's Outlook.

	Fiscal Year 2015-16	**Fiscal Year 2016-17**	**Fiscal Year 2017-18**	**3-year Average**
Total Trust Fund Transfers to General Revenue	$230.2 M	$307.9 M	$542.3 M	$360.1 M
Excluded Transfers	($32.6) M	($0.0) M	($77.0) M	($36.5) M
Total with Exclusions	**$197.6 M**	**$307.9 M**	**$465.3 M**	**$323.6 M**