

Florida: Long-Range Financial Outlook

November 14, 2023

Presented by:



The Florida Legislature
Office of Economic and
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Revenue Drivers
Based on National and Florida
Economic Forecasts;
Population Growth

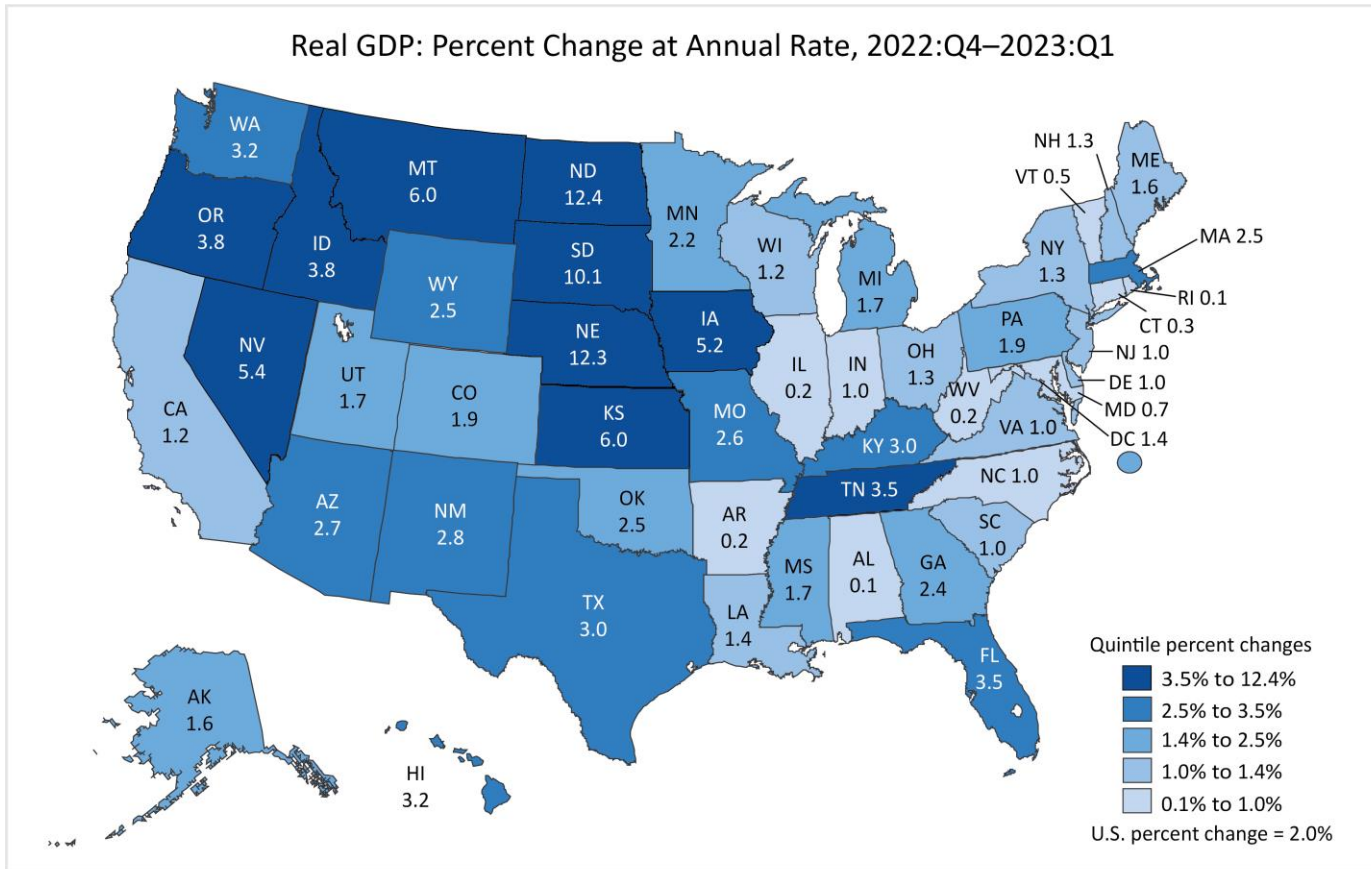
Budget Drivers
Based on Estimating
Conferences;
Past Legislative Actions; and
Three-Year Averages

Long-Range Financial Outlook

*Seventeenth document prepared since
the constitutional requirement passed ~
nearly 100 Analysts were involved in the
process over the Summer months*

Fiscal Years Addressed
2024-25
2025-26
2026-27

Florida's GDP Growth...



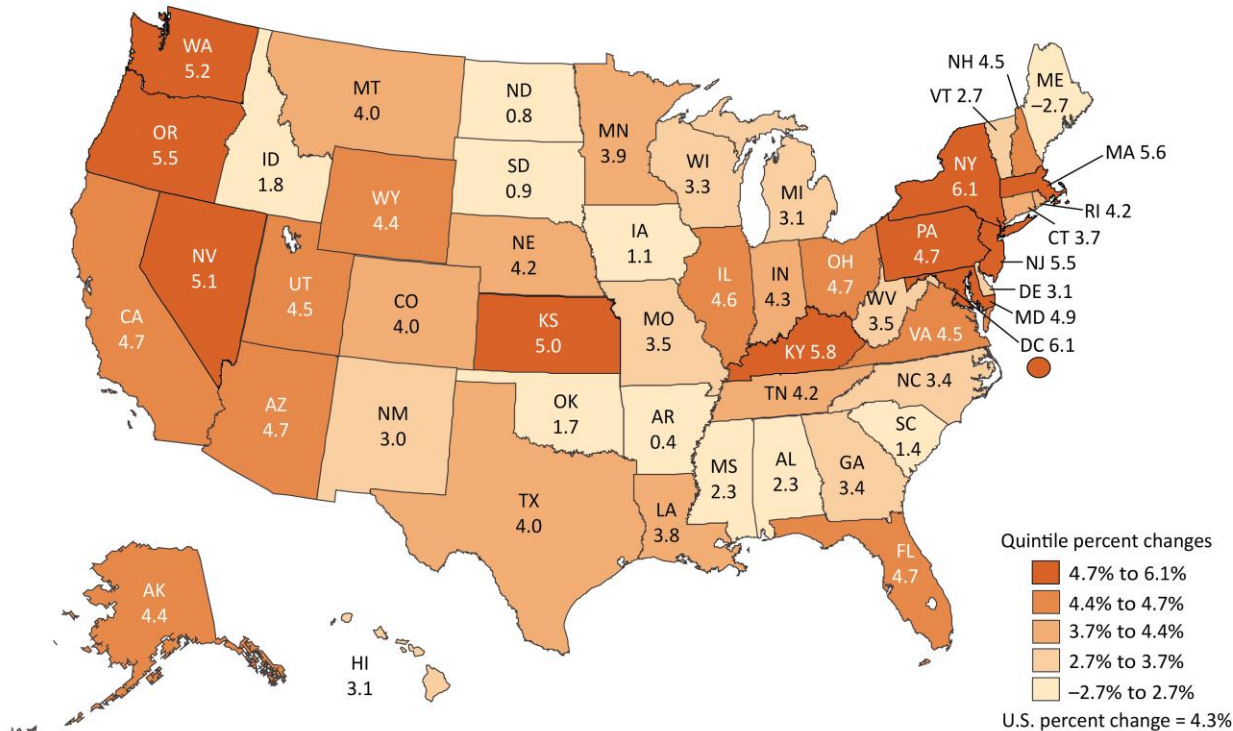
In the 1st Quarter of 2023, Florida's real economic growth was ranked 11th in the nation with a 3.5 percent change at an annual rate. The United States as a whole had quarterly growth of 2.0 percent.

U.S. Bureau of Economic Analysis

According to the latest revised data, Florida's quarterly GDP movements have generally mirrored the nation as a whole since the beginning of the pandemic. Buffeted by a series of economic shocks, the state's GDP slumped -0.2 percent in Fiscal Year 2019-20, grew 4.0 percent in Fiscal Year 2020-21 and grew another 6.9 percent in Fiscal Year 2021-22. The Economic Estimating Conference anticipates that the state's economy expanded at a still healthy 3.0 percent in FY 2022-23, but will drop to a more characteristic 2.5 this year (Fiscal Year 2023-24) as economic imbalances continue to weigh on the economy. Thereafter, it will grow from 1.7 percent in Fiscal Year 2024-25 to 2.4 percent in Fiscal Year 2026-27.

Florida's Personal Income...

Personal Income: Percent Change at Annual Rate, 2023:Q1–2023:Q2



In the 2nd Quarter of 2023, Florida's personal income growth was ranked 14th in the nation with a 4.7 percent change at an annual rate. The United States as a whole had quarterly growth of 4.3 percent.

U.S. Bureau of Economic Analysis

Buttressed during the pandemic by an infusion of federal dollars into Florida's households, Florida's Personal Income grew 6.6 percent in Fiscal Year 2019-20 and grew another 8.0 percent in Fiscal Year 2020-21. Fiscal Year 2021-22 saw moderately lower growth of 4.9 percent as the benefit from workers returning to their jobs or leveraging the tight labor market into better paying opportunities competed with the end of federal relief measures. The Economic Estimating Conference anticipates that the state's income expanded at a strong 7.8 percent in Fiscal Year 2022-23, largely on the continuing strength of salary growth. Thereafter, personal income growth will step down to 5.6 percent in Fiscal Year 2023-24 and 5.9 percent in Fiscal Year 2024-25, before gradually declining to a more characteristic 4.2 percent per year.

Current Employment Conditions...

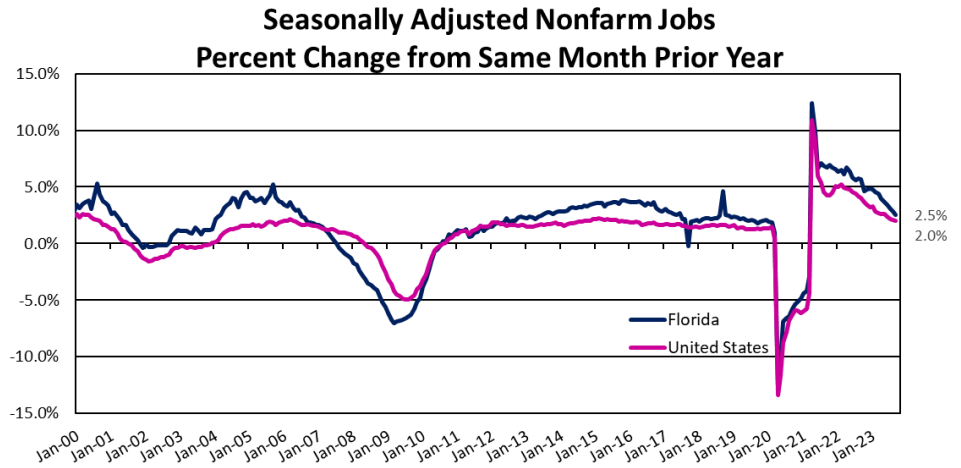
September 2023 Nonfarm Jobs (YOY)

US: 2.0%

FL: 2.5%

At the onset of the COVID pandemic, employment dropped by almost 1.3 million jobs from February 2020 to April 2020, a decline of 14.1 percent. In September 2023, Florida exceeded the pre-pandemic level (February 2020) by 728,800 jobs, a gain of 8.0%.

The state's growth rate is expected to fall from last year's 4.7 percent to 2.0 percent in Fiscal Year 2023-24 and 0.7 percent in Fiscal Year 2024-25, before stabilizing at an annual average of around 1.0 percent throughout the remainder of the forecast.



Source: Florida Department of Commerce, Bureau of Workforce Statistics and Economic Research, Current Employment Statistics Program in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics, October 20, 2023.

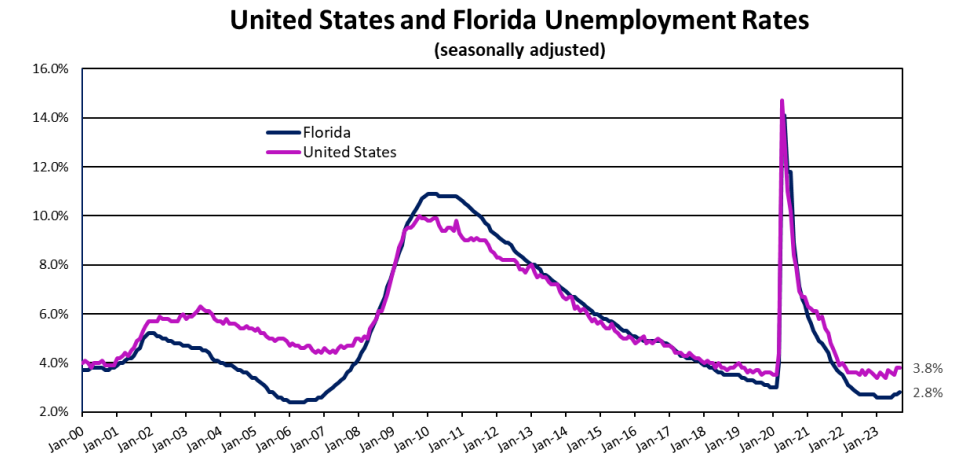
September 2023 Unemployment Rate

US: 3.8%

FL: 2.8% (309,500 jobless persons)

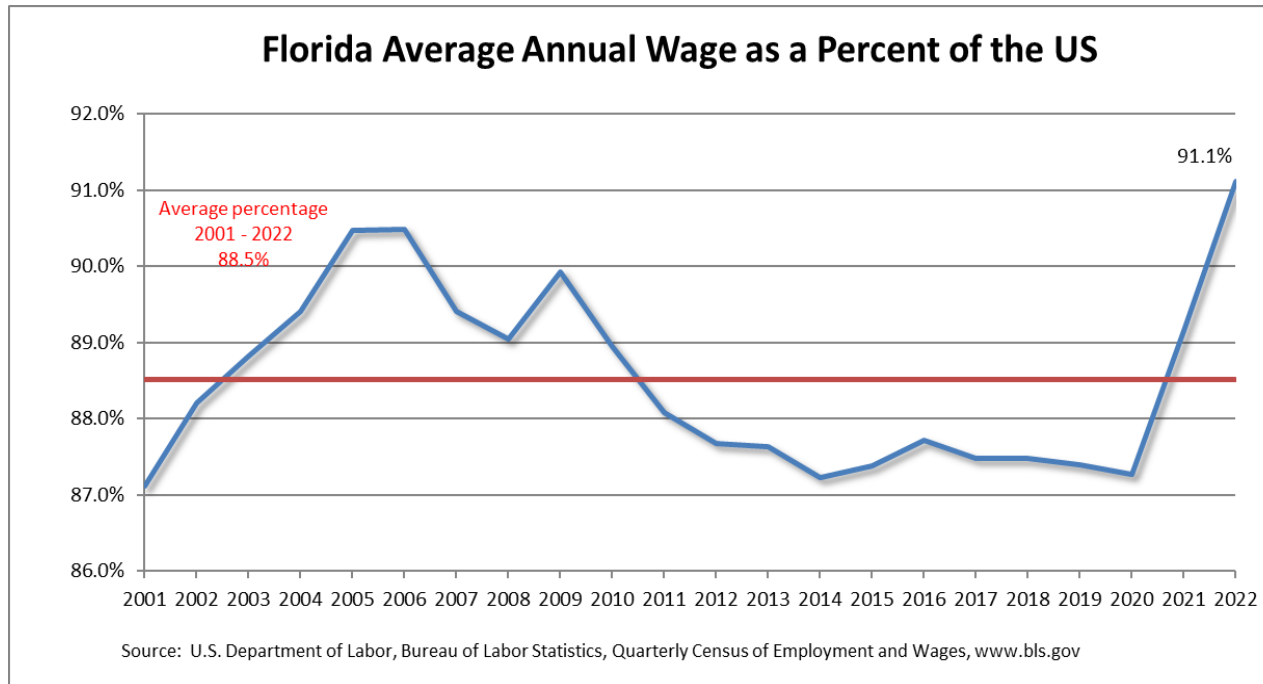
The Economic Estimating Conference assumes the “full employment” unemployment rate is about 4 percent.

In September, the state's unemployment rate was only minimally higher than the 2.7 percent reported for all of last year and not far from the state's lowest recorded rate in modern times (2.4 percent in the first half of 2006). The Conference expects the unemployment rate to average 3.0 percent in Fiscal Year 2023-24 and, due to the Federal Reserve's actions to cool off the economy through higher interest rates, start an upward drift until it reaches 4.3 percent in Fiscal Year 2026-27. After this, the rate plateaus at or slightly above 4.0 percent.



Source: Florida Department of Commerce, Bureau of Workforce Statistics and Economic Research, Local Area Unemployment Statistics Program, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics, October 20, 2023.

Wage Gap Markedly Narrows in 2022...

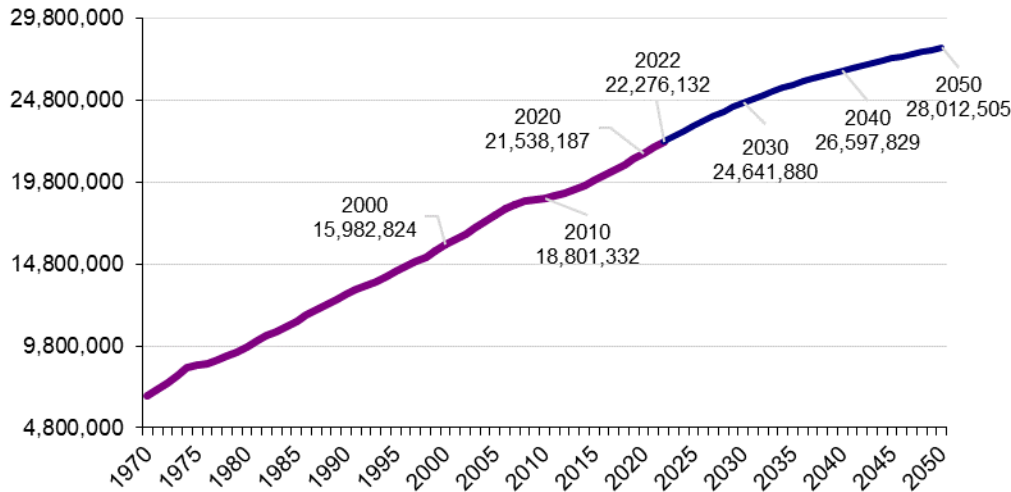


Wage growth since the onset of the pandemic has been distorted by the extreme ups and downs in employment, especially among lower-wage service workers in the leisure and hospitality industry who were the hardest hit. As they came back to work in large numbers in 2021 and 2022, wages appeared to grow at record levels, but the pure growth rates are somewhat misleading.

Calculating Florida's average annual wage relative to the US average cures some of these issues, providing a cleaner picture of how the state is faring. In the first two decades of this century, Florida's average annual wage was below the US average. The most recent data shows that the state's average percentage had fallen from 2016 when it was 87.7% to 87.3% in 2020.

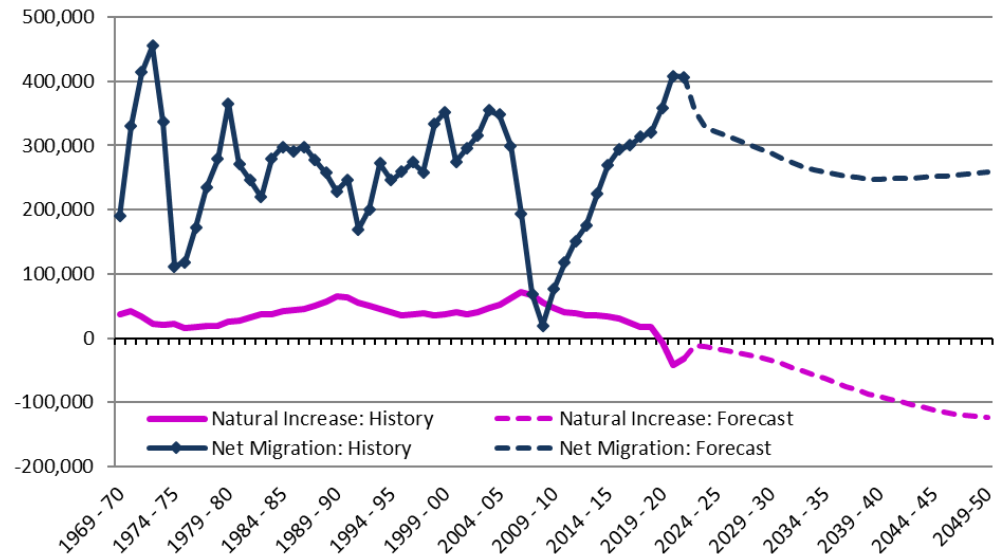
This picture changed in 2021 when Florida moved above its longer run average of 88.5 percent to 89.2 percent. In that year, Florida had a 4.9 percent increase in the number of jobs in covered employment, but a 13.2 percent increase in total wages. Preliminary data for 2022 indicates that the relationship to national wages has continued to transform—hitting a ratio of 91.1 percent, the highest over the past two decades. Moreover, Florida had a 5.6 percent increase in the number of jobs in covered employment, but was still dominated by an 11.7 percent increase in total wages. Based on Conference projections of average annual wage growth of between 3.0 and 3.8 percent growth each year, the higher wages are likely here to stay.

Florida's Population Growth...



Florida's strongest April-over-April growth rate in this century was the year 2000 at 2.58%, but the largest numeric change occurred in 2005 (+403,332), immediately prior to the collapse of the housing boom and the beginning of the Great Recession. Just before and during the pandemic era, the April 1st growth rates were 1.64% (+348,338) for 2020, 1.67% for 2021 (+360,758) and 1.72% for 2022 (+377,187). Growth is expected to be 1.58% (+352,017) when the numbers are finalized for April 1, 2023.

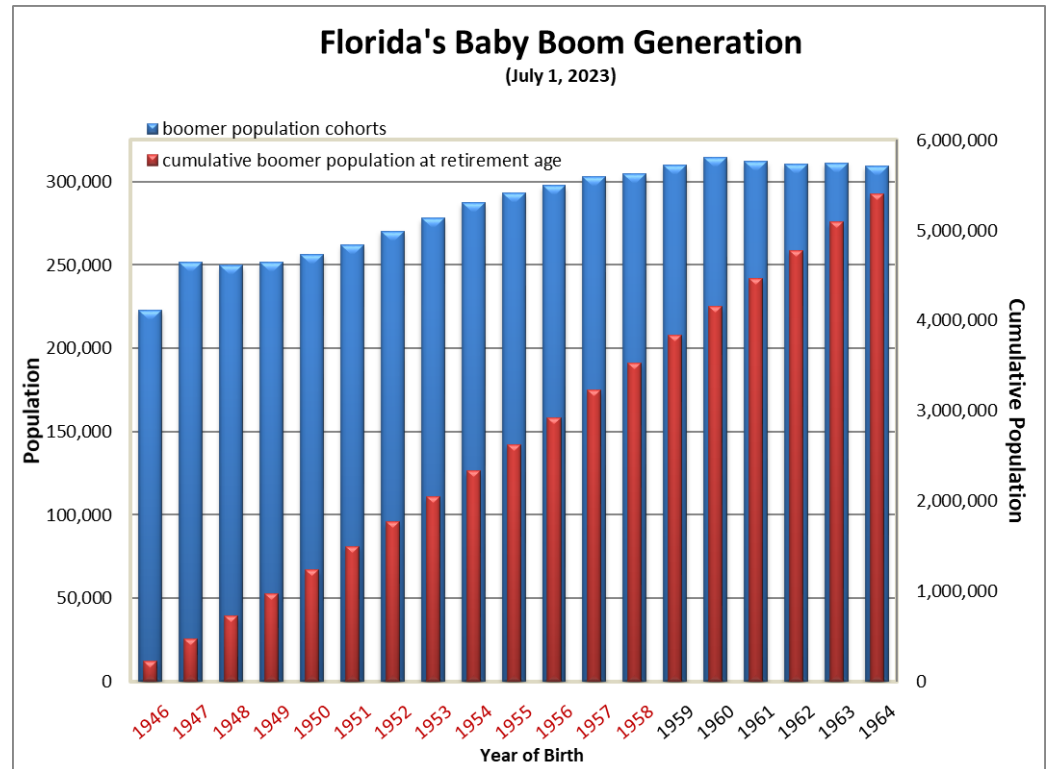
Between 2022 and 2030, Florida's growth is expected to average 1.27% per year compared to the national average of 0.64% during the same period. In the past, Florida's population growth has largely been from net migration. Going forward, this will produce all of Florida's population growth, as natural increase is anticipated to remain negative with deaths outnumbering births.



Baby Boomers in Context...

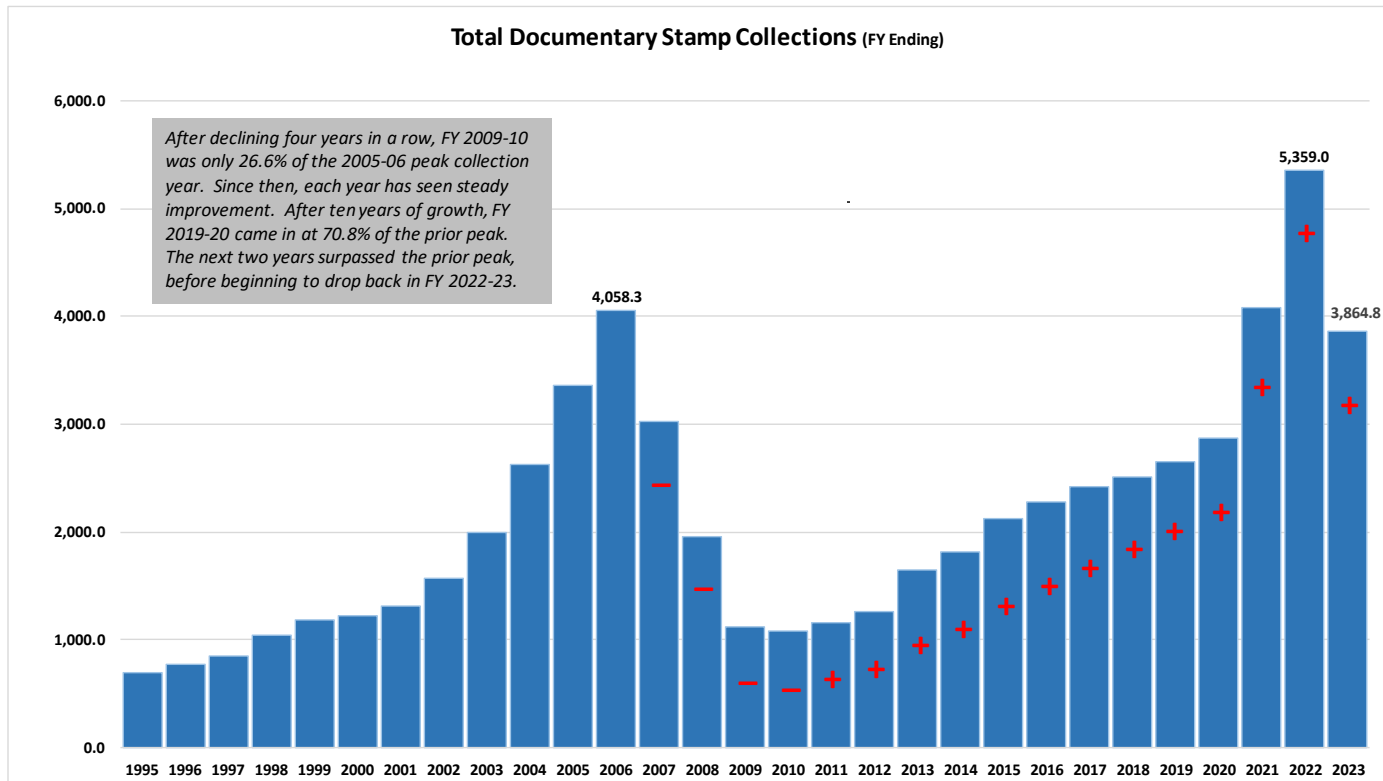
The first cohort of Baby Boomers became eligible for retirement (turned age 65) in 2011. Thirteen of nineteen cohorts have now entered the retirement phase. This represents almost 65% of all Baby Boomers.

Population aged 65 and over is forecast to represent at least 24.4% of the total population in 2030, compared with 21.2% in 2020 and 17.3% in 2010.



- In 2000, Florida's prime working age population (ages 25-54) represented 41.5% of the total population. With the aging Baby Boom generation, this population dropped to 36.8% of Florida's total population in 2020 and is expected to represent only 35.8% by 2030.
- The youngest population group, 0-17, represented 22.8% of the total population in 2000. In 2020, only 19.5% of the total population was in this age group, and its share is projected to be about the same in 2030.

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



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

The market environment leading to this result was caused by the record low interest rates arising from the Federal Reserve's actions to stem the severity of the pandemic's economic disruption. As rates rose and affordability was increasingly an issue, Documentary Stamp Tax collections began to decline in FY 2022-23 (-27.9%). The Revenue Estimating Conference expects another decline of -10.0% in FY 2023-24, before more typical growth resumes throughout the remainder of the forecast.

Recession Tightrope...

- *“These uncertainties, both old and new, complicate our task of balancing the risk of tightening monetary policy too much against the risk of tightening too little. Doing too little could allow above-target inflation to become entrenched and ultimately require monetary policy to wring more persistent inflation from the economy at a high cost to employment. Doing too much could also do unnecessary harm to the economy.” Remarks by Jerome Powell, Jackson Hole, Wyoming, August 25, 2023*
- *“However, while the economy’s resilience has tempered concerns of an imminent recession, a period of below-trend growth and an accompanying increase in the unemployment rate will be necessary to reduce wage growth to a range consistent with core PCE inflation near the Fed’s 2% objective within a time frame acceptable to the Fed...[W]e adjusted our monetary policy assumptions to show a later reversal of policy (June) and a slower pace of easing than in September’s forecast. We now do not show the federal funds rate returning to 2.5% - 2.75% until late 2026.” S&P Global’s October 2023 Executive Summary, similar to S&P Global / U.S. Economic Outlook, August 16, 2023, and the September 2023 Executive Summary*
- *“The stance of policy is restrictive, meaning that tight policy is putting downward pressure on economic activity and inflation, and the full effects of our tightening have yet to be felt...The process of getting inflation sustainably down to 2 percent has a long way to go...As for the Committee, we are committed to achieving a stance of monetary policy that’s sufficiently restrictive to bring inflation down to 2 percent over time. And we’re not confident yet that we have achieved such a stance.” Opening Statement and Responses to Questions by Jerome Powell, FOMC Press Conference, November 1, 2023*
- *“Given the recent uptick of inflation, still-tight labor markets, and the late reversal of financial conditions, we still expect the Fed to raise its policy rate in December to a peak of 5.5% - 5.75%, with a reversal of policy in June.” S&P Global’s November 2023 Forecast Flash*
- *“To be sure, inflation for some goods and services is likely to accelerate in coming months. Most notable are medical care service prices, which have been steadily falling but will soon begin to rise. This is due to how the cost of health insurance is measured by the Bureau of Labor Statistics and the considerable pressure on the labor-intensive healthcare industry to pass along more of its increased labor costs.” Moody’s Analytics, U.S. Outlook: The Economy Finds Footing, August 14, 2023.*

General Revenue...

Fiscal Year	Post Session Forecast	August 2023 Forecast	Difference	Percentage Change	Incremental Growth	Growth
2005-06	27074.8					8.4%
2006-07	26404.1					-2.5%
2007-08	24112.1					-8.7%
2008-09	21025.6					-12.8%
2009-10	21523.1					2.4%
2010-11	22551.6					4.8%
2011-12	23618.8					4.7%
2012-13	25314.6					7.2%
2013-14	26198.0					3.5%
2014-15	27681.1					5.7%
2015-16	28325.4					2.3%
2016-17	29594.5					4.5%
2017-18	31218.2					5.5%
2018-19	33413.8					7.0%
2019-20	31366.2					-6.1%
2020-21	36280.9					15.7%
2021-22	44035.7					21.4%
2022-23	46,243.8	47,327.8	1,083.9		3,292.1	7.5%
2023-24	44,097.3	45,664.4	1,567.1		(1,663.4)	-3.5%
2024-25	46,221.6	47,424.2	1,202.6		1,759.8	3.9%
2025-26	47,632.9	48,586.8	953.9		1,162.6	2.5%
2026-27	49,015.2	49,934.8	919.6		1,348.0	2.8%
2027-28	50,532.8	51,451.3	918.5		1,516.5	3.0%
2028-29	-	52,924.5	-		1,473.2	2.9%

The new state and national economic forecasts adopted in July 2023 were little changed from those adopted in February 2023, although that forecast had assumed a mild recession in the first and second quarters of 2023 that failed to materialize. Economic disruption is still evident, with varied impacts on household savings, the elevated use of credit, the continued normalization of spending on services and away from taxable goods, and strong inflationary pressures on households. Explained in part by the recession's failure to materialize, revenue collections have exceeded expectations since the last conference. General Revenue collections across all sources were \$1,083.9 million or 2.3 percent over the estimate for the year.

GR Outlook Balance...

FY 2022-23

	Beginning Balance	22,803.1
	Estimated Revenues	47,327.8
	Net Miscellaneous Receipts	562.3
	Total Revenues	70,693.2
	Total Appropriations, GAA Actions & Substantive Appropriations	50,554.7
	Transfer to BSF	410.0
	Budget Amendments through June 30, 2023	2,107.9
	Legislative Reversions	(2,185.5)
	Indian Gaming Local Distribution	5.6
	Total Effective Appropriations	50,892.7
	Unallocated General Revenue	19,800.5

FY 2023-24

	Beginning Balance	19,800.5
	Estimated Revenues	45,664.4
	Net Miscellaneous Receipts through August 11, 2023	168.1
	Total Revenues	65,633.0
	Total Appropriations, GAA Actions & Substantive Appropriations	53,622.0
	Transfer to BSF	1,000.0
	Contingency Reserves for RAP and FORA Programs	2,208.1
	Budget Amendments through August 11, 2023	2.0
	Total Effective Appropriations	56,832.1
	Projected Deficits and Shortfalls not on Outlook Statement	270.8
	Unallocated General Revenue	8,530.0

← \$8,800.9

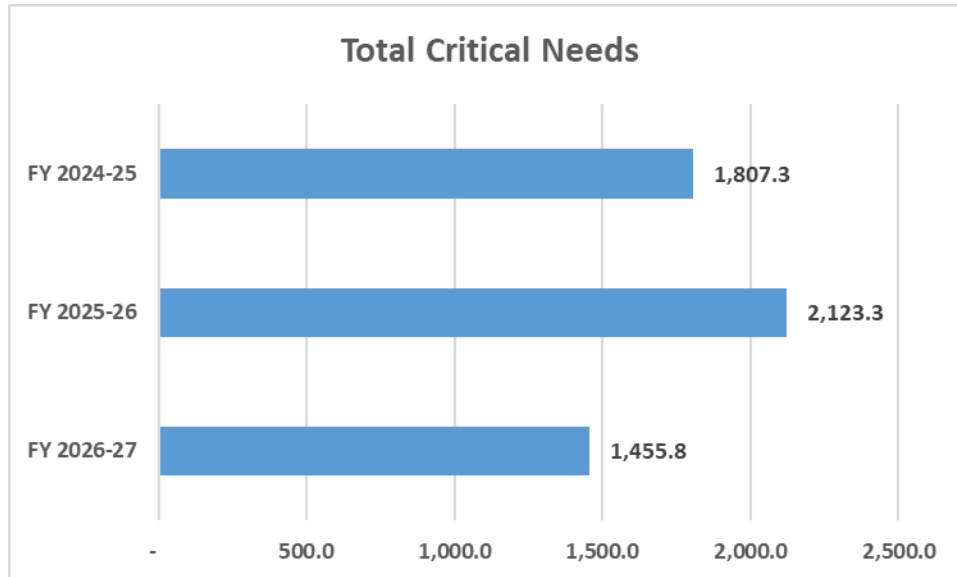
Totals may not add due to rounding.

Total State Reserves...

Outlook Year	Baseline Fiscal Year	Unallocated General Revenue	Budget Stabilization Fund	Lawton Chiles Endowment Fund	Emergency Preparedness & Response Fund	Total Anticipated Reserves	GR Summer Revenue Estimate	% of GR Estimate
2014	2014-15	1,589.0	1,139.2	629.3	-	3,357.5	27,189.4	12.3%
2015	2015-16	1,709.1	1,353.7	590.2	-	3,653.0	28,414.1	12.9%
2016	2016-17	1,414.2	1,384.4	637.5	-	3,436.1	29,332.8	11.7%
2017	2017-18	1,458.5	1,416.5	713.4	-	3,588.4	30,926.0	11.6%
2018	2018-19	1,226.1	1,483.0	763.1	-	3,472.2	32,243.8	10.8%
2019	2019-20	1,452.9	1,574.2	773.6	-	3,800.7	32,943.3	11.5%
2020	2020-21	1,366.6	1,674.2	867.2	-	3,908.0	30,990.1	12.6%
2021	2021-22	7,324.0	2,723.5	-	-	10,047.5	36,901.0	27.2%
2022	2022-23	13,719.4	3,140.2	-	499.0	17,358.6	41,998.2	41.3%
2023	2023-24	8,800.9	4,140.2	-	681.2	13,622.3	45,664.4	29.8%

- At the time each of the previous nine Outlooks was adopted, total state reserves ranged from 10.8% to 41.3% of the General Revenue estimate.
- Based on the state's records at the time of this Outlook, total state reserves are \$13.6 billion or 29.8% of the General Revenue estimate for FY 2023-24.
- Although not as large as the total FY 2022-23 level, both the Budget Stabilization Fund and Unallocated General Revenue continue at historic levels.
- The Budget Stabilization Fund is now close to its constitutional maximum.

Critical Needs Drivers...



Critical Needs can generally be thought of as the absolute minimum the state must do absent significant law or structural changes. In this Outlook, there are a total of **14** Critical Needs drivers, including some that grow significantly between the first and second years. A funding strategy was deployed that reduced the need for General Revenue in the early years of the Outlook.

For the programs in the education and environmental policy areas, the Outlook **maximizes the use of all available state trust funds prior to using General Revenue**. To accomplish this, adjustments are made to the General Revenue Fund, the Educational Enhancement Trust Fund, the State School Trust Fund, and the Land Acquisition Trust Fund based on projected balances forward and revenue changes in the trust funds over the three-year forecast period. This shifting of funds alters the need for General Revenue from year to year, but does not affect the overall level of dollars estimated to be required for core education and environmental programs. Overall, this strategy has its most visible effect on Critical Needs driver #1—\$269.9 million for maintaining the current year Florida Education Finance Program budget in Fiscal Year 2024-25.

Adding Other High Priority Needs...

- Because trust fund balances were used, the projected General Revenue cost of some drivers in Fiscal Year 2024-25 is significantly less than it would have been. Even without that adjustment, the Other High Priority Needs drivers would have been the largest expenditure component in each of the three years of the plan, by far.
- The **28** Other High Priority Needs reflect issues that have been funded in most, if not all, of the recent budget years. Both types of drivers are combined to represent a more complete, yet still conservative, approach to estimating future expenditures. Essentially, the total projected cost for the Critical Needs and Other High Priority Needs shows the impact of continuing the programs and priorities funded in recent years into the three years included in the Outlook.

General Revenue Fund Dollar Value of Critical Needs and Other High Priority Needs (\$Millions)	Fiscal Year 2024-25	Fiscal Year 2025-26	Fiscal Year 2026-27
Critical Needs	1,807.3	2,123.3	1,455.8
Other High Priority Needs	3,066.9	3,204.5	3,216.2
Critical Needs plus Other High Priority Needs	4,874.2	5,327.9	4,672.0

General Revenue Fund Percentage of Total Critical Needs and Other High Priority Needs	Fiscal Year 2024-25	Fiscal Year 2025-26	Fiscal Year 2026-27
Critical Needs	37.1%	39.9%	31.2%
Other High Priority Needs	62.9%	60.1%	68.8%
Critical Needs plus Other High Priority Needs	100.0%	100.0%	100.0%

GR Drivers by Policy Area...

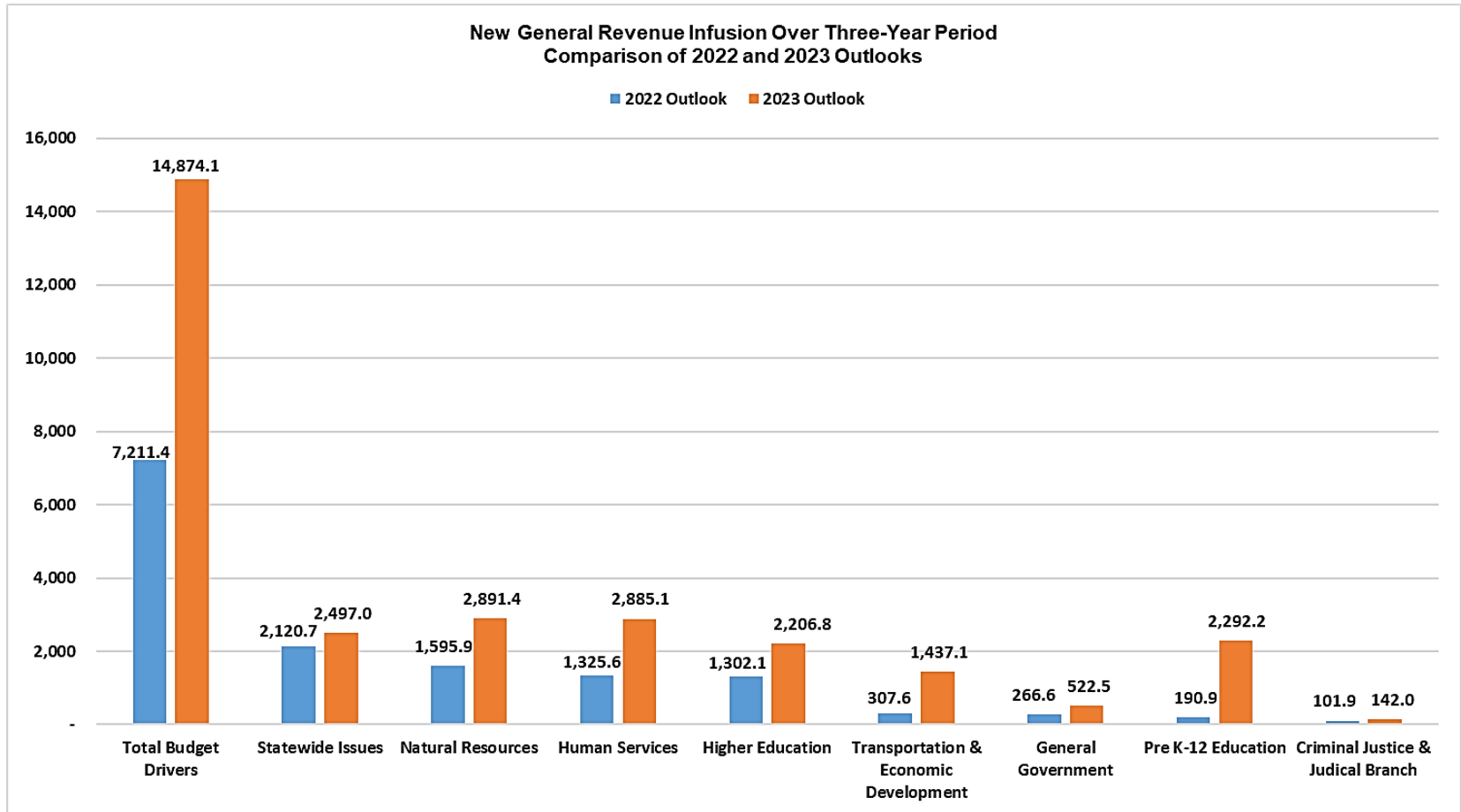
In Fiscal Year 2024-25, three policy areas (Human Services, Natural Resources, and Statewide Issues) compose more than half of the total need for General Revenue.

General Revenue Fund Total Critical Needs and Other High Priority Needs by Policy Area (\$Millions)	Fiscal Year 2024-25	Fiscal Year 2025-26	Fiscal Year 2026-27
Pre K-12 Education	767.1	862.8	662.3
Higher Education	767.3	716.6	722.9
Human Services	803.2	1,233.5	848.4
Criminal Justice & Judicial Branch	47.3	47.3	47.3
Transportation & Economic Development	479.6	477.9	479.6
Natural Resources	878.6	1,006.1	1,006.7
General Government	181.4	172.3	168.7
Administered Funds - Statewide Issues	<u>949.7</u>	<u>811.3</u>	<u>736.1</u>
Total New Issues	4,874.2	5,327.9	4,672.0

By the second year of the Outlook, the Pre K-12 Education, Human Services, and Natural Resources needs increase, while other areas decline or stay nearly the same. By the third year, Natural Resources is the largest share of the total need.

General Revenue Fund Percentage of Total Critical Needs and Other High Priority Needs by Policy Area	Fiscal Year 2024-25	Fiscal Year 2025-26	Fiscal Year 2026-27
Pre K-12 Education	15.7%	16.2%	14.2%
Higher Education	15.7%	13.5%	15.5%
Human Services	16.5%	23.2%	18.2%
Criminal Justice & Judicial Branch	1.0%	0.9%	1.0%
Transportation & Economic Development	9.8%	9.0%	10.3%
Natural Resources	18.0%	18.9%	21.5%
General Government	3.7%	3.2%	3.6%
Administered Funds - Statewide Issues	<u>19.5%</u>	<u>15.2%</u>	<u>15.8%</u>
Total New Issues	100.0%	100.0%	100.0%

Total New GR Infusion = \$14.9 Billion



The total need for new infusions of General Revenue over the three years is \$14.87 billion. Together, Natural Resources and Statewide Issues represent almost 40 percent of the total. This total three-year driver need is more than double the \$7.21 billion identified last year, but the composition is different. All eight policy areas included in the plan went up in need.

Total GR Expenditures = \$22.8 Billion

General Revenue Fund Recurring and Nonrecurring Budget Driver Impact (\$Millions)	Fiscal Year 2024-25	Fiscal Year 2025-26	Fiscal Year 2026-27	Three-Year Total	% of Three- Year Total
New Recurring Drivers for Each Year	2,554.4	2,836.9	2,263.3	7,654.5	
Continuation of Year 1 Recurring Drivers		2,554.4	2,554.4	5,108.7	
Continuation of Year 2 Recurring Drivers			2,836.9	2,836.9	
Cumulative Impact of Recurring Drivers	2,554.4	5,391.2	7,654.5	15,600.1	68.4%
Nonrecurring Drivers for Each Year	2,319.9	2,491.0	2,408.7	7,219.6	31.6%
Grand Total	4,874.2	7,882.2	10,063.3	22,819.7	

Simply looking at the new infusions of General Revenue needed each year does not present a complete picture. Over the entire three-year period, 68.4 percent of the General Revenue infused each year must be recurring to match the ongoing nature of the budget investment. Those expenditures cumulate and stack on top of each other in the subsequent years. As the table shows, of the \$4,874.2 million needed for drivers in Fiscal Year 2024-25, \$2,554.4 million will be needed again in Fiscal 2025-26 (and again in Fiscal Year 2026-27) to continue those programs.

This makes the actual dollar impact of the drivers identified in the Outlook larger than the displayed drivers alone suggest. In effect, the \$14.9 billion in new infusions over the Outlook period support \$22.8 billion in additional costs over the period. Both effects are accounted for in the Outlook.

Revenue Adjustments...

- Revenue Adjustments to the General Revenue Fund are again included in the Outlook to reflect legislative actions that alter the revenue-side of the state’s fiscal picture. These adjustments are based on historic averages and include:
 - Tax and Significant Fee Changes...* These changes fall into two categories with different effects. The continuing tax and fee changes reflect adjustments to the funds otherwise available and build over time since the impact of each year’s change is added to the recurring impacts from prior years. Conversely, the time-limited tax and fee changes are confined to each year and are held constant throughout the Outlook.
 - Trust Fund Transfers (GAA)...* The nonrecurring transfers to the General Revenue Fund are positive adjustments to the dollars otherwise available and are held constant each year.
- Unlike the budget drivers that 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).

	2024-25			2025-26			2026-27		
	Rec	NR	Total	Rec	NR	Total	Rec	NR	Total
Continuing Tax and Fee Changes	(134.8)	29.8	(105.0)	(134.8)	29.8	(105.0)	(134.8)	29.8	(105.0)
Recurring Impact of Prior Years' Tax and Fee Changes	-	-	-	(134.8)	-	(134.8)	(269.6)	-	(269.6)
Time-Limited Tax and Fee Changes	-	(541.5)	(541.5)	-	(541.5)	(541.5)	-	(541.5)	(541.5)
Trust Fund Transfers (GAA)	-	19.7	19.7	-	19.7	19.7	-	19.7	19.7
Total	(134.8)	(492.0)	(626.8)	(269.6)	(492.0)	(761.6)	(404.4)	(492.0)	(896.4)

Putting It Together for the First Year

OUTLOOK PROJECTION – FISCAL YEAR 2024-25 <i>(in millions)</i>			
	RECURRING	NON RECURRING	TOTAL
AVAILABLE GENERAL REVENUE	47,356.6	8,730.2	56,086.7
Recurring Base Budget	41,703.3	0.0	41,703.3
Transfer to Budget Stabilization Fund	0.0	0.0	0.0
Critical Needs	1,416.8	390.6	1,807.4
Other High Priority Needs	1,137.6	1,929.3	3,066.9
TOTAL EXPENDITURES	44,257.6	2,319.9	46,577.5
ENDING BALANCE AFTER EXPENDITURES	3,099.0	6,410.3	9,509.2
Revenue Adjustments	(134.8)	(492.0)	(626.8)
Reserve	0.0	1,854.7	1,854.7
PROJECTED ENDING BALANCE	2,964.2	4,063.6	7,027.8

Totals may not add due to rounding.

Combined, the costs of recurring and nonrecurring General Revenue Critical Needs are significantly less than the available General Revenue dollars. When Other High Priority Needs are added, the General Revenue projected surplus is \$9.5 billion.

After accounting for the revenue adjustments and a \$1.85 billion Reserve, the projected General Revenue surplus is \$7.03 billion, but 57.8 percent of this is nonrecurring dollars.

Outlook for FY 2024-25 Compared to Last Year

Fiscal Year 2024-25	Presented in 2022 Outlook	Presented in 2023 Outlook	Difference	Effect on Bottom Line
Funds Available				
Balance Forward from 2023-24	15,197.7	8,530.0	(6,667.7)	Negative
Available General Revenue	43,979.3	47,556.8	3,577.5	Positive
Trust Fund Transfers	127.9	19.7	(108.2)	Negative
Tax and Fee Changes	(320.8)	(646.5)	(325.7)	Negative
Total Funds Available	58,984.1	55,460.0	(3,524.1)	Negative
			-6.0%	
Projected Expenditures				
Base Budget for 2024-25	40,002.5	41,703.3	1,700.8	Negative
Total New Budget Drivers for 2024-25	2,647.5	4,874.2	2,226.7	Negative
Total Projected Expenditures	42,650.0	46,577.5	3,927.5	Negative
			9.2%	
Additional Adjustments for Reserves				
BSF Transfer	-	-	-	
Reserve	1,715.2	1,854.7	139.50	Negative
Bottom Line	14,618.9	7,027.8	(7,591.1)	

Although offset by revenue collections that are higher for FY 2024-25 than were anticipated by the 2022 Outlook, the significantly lower balance forward from FY 2023-24 reduces total funds available by 6.0 percent—a negative effect on the bottom line.

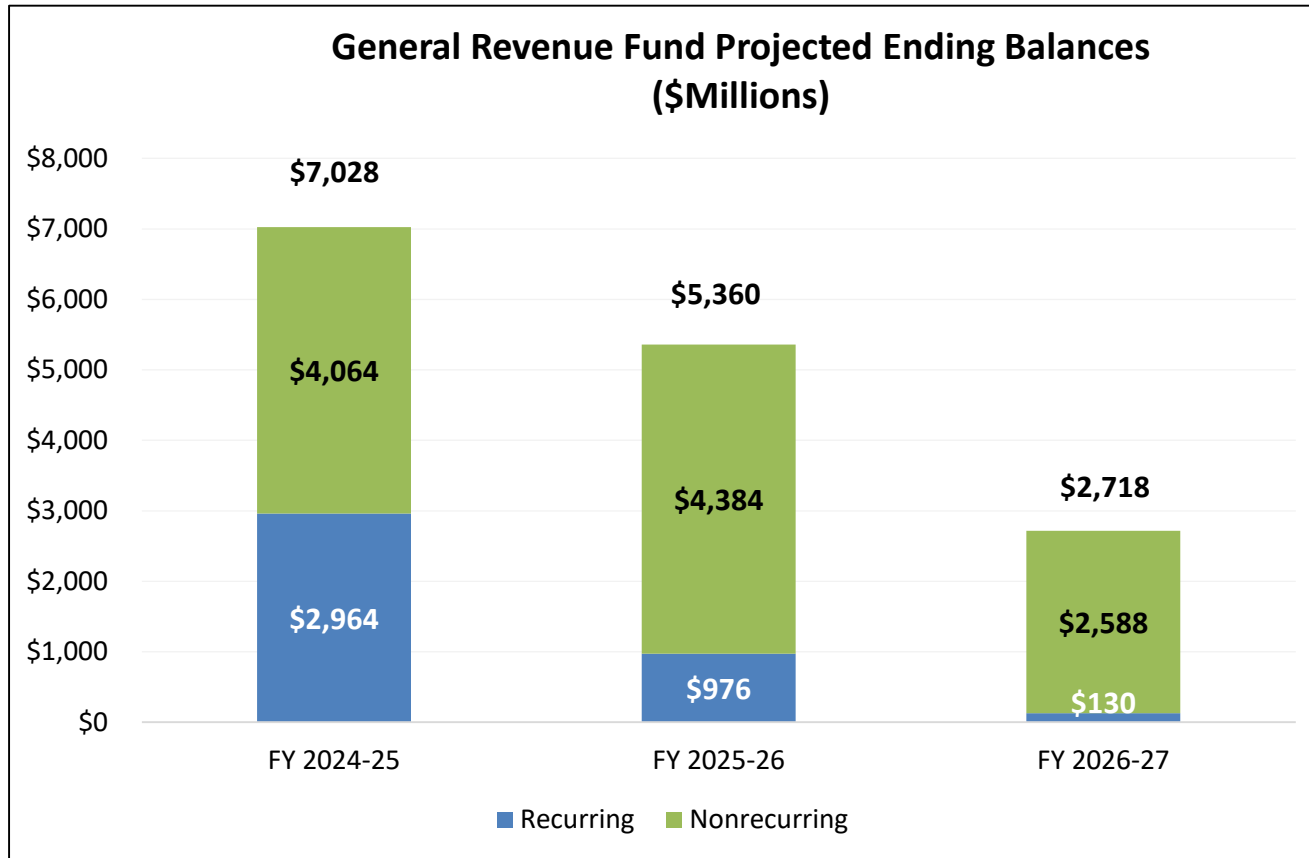
The significant increases in base budget expenditures and the new budget drivers for Fiscal 2024-25 helped produce an overall 9.2 percent increase in projected expenditures, creating an overall bottom line that is 51.9 percent lower than last year’s projection for the same year.

The Bottom Line For All Three Years...

2023 Long-Range Financial Outlook Summary General Revenue Fund (\$Millions)		Year 1 FY 2024-25	Year 2 FY 2025-26	Year 3 FY 2026-27
Revenues Available		47,557	48,725	50,074
Unused Reserve from Prior Year		8,530	8,883	7,260
Expenditures	Reserves	(1,855)	(1,900)	(1,953)
	Recurring Base Budget	(41,703)	(44,258)	(47,094)
	Critical Needs Budget Drivers	(1,807)	(2,123)	(1,456)
	Other High Priority Needs Budget Drivers	(3,067)	(3,205)	(3,216)
	Ending Balance After Expenditures	7,655	6,122	3,614
Revenue Adjustments	Tax and Fee Changes	(647)	(781)	(916)
	Trust Fund Transfers	20	20	20
	Revenue Adjustments	(627)	(762)	(896)
Surplus / (Deficit)		7,028	5,360	2,718
<i>Portion of Surplus that is Generated from Recurring \$s</i>		<i>2,964</i>	<i>976</i>	<i>130</i>
<i>Portion of Surplus that is Generated from Nonrecurring \$s</i>		<i>4,064</i>	<i>4,384</i>	<i>2,588</i>

Overall, the forecasted General Revenue growth (recurring and nonrecurring) is sufficient to support anticipated spending and a minimum reserve for each year of the Outlook. Fiscal strategies will not be required because the projected budget is in balance as constitutionally required. However, the decreasing ending balances indicate the projected expenditures are beginning to outpace available revenues. Of particular concern, the recurring expenditure demands (both budget drivers and revenue adjustments) consume nearly all of the recurring revenues by the end of the forecast period, signaling a structural imbalance may be emerging, absent any prior corrective actions.

FY 2023-24 Balance Significantly Declines...

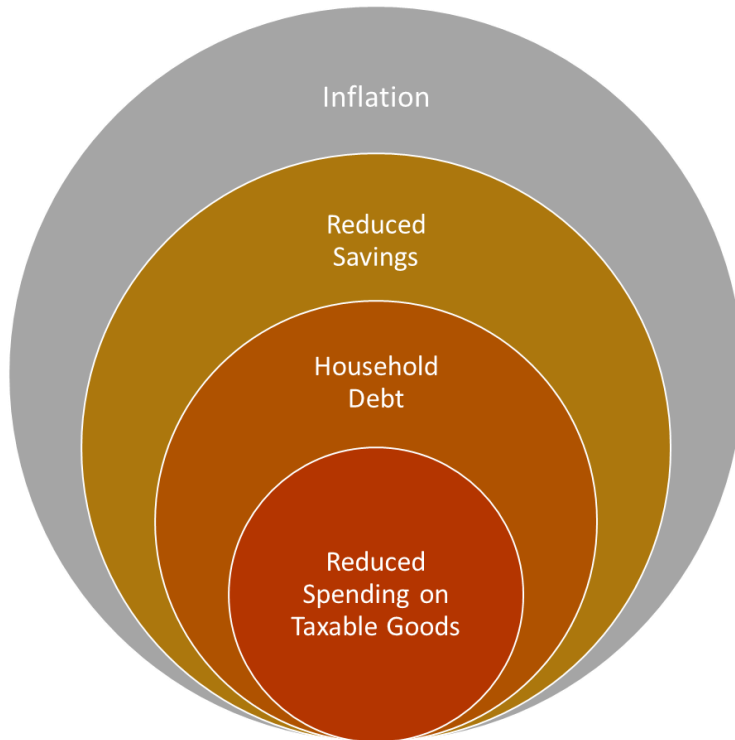


The state's projected balance on the Long-Range Financial Outlook for June 2024 is \$8.5 billion. The plan significantly reduces this balance throughout the three years—the third year is only 31.9% of Fiscal Year 2023-24. If the entire ending balance is spent in the first year of the plan (with the recurring on recurring programs and the nonrecurring on one-time investments), both the second and third years of the Outlook show significant negative ending balances of \$-4.6 billion and \$-5.6 billion, respectively.

Black Swans...

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

- The realization of co-occurring risks that could be handled individually, but not in combination. This would be a stress not just on reserves, but also on human capital and technical resources.
- A protracted and complete federal government shutdown. The Congressional Budget Office (CBO) estimated that the 2018-2019 partial shutdown of five weeks reduced Gross Domestic Product (GDP) by a total of \$11 billion, including \$3 billion that will never be recovered.
- Mixed economic signals leading to a serious Federal Reserve miscue that causes unabated inflation and a deep recession.



- *The Consumer Price Index for the all-items index increased 3.7 percent for the 12 months ending September—the same increase as the 12 months ending in August. The index for shelter was the largest monthly contributor to the increase, accounting for more than 70 percent of the total increase in all items less food and energy, with prices for food at home increasing by 2.4 percent over the past 12 months.*
- *After increasing to a historic peak rate of 33.7 percent in April 2020 from the 7.9 percent for the entire 2018-19 fiscal year, the most recent personal income data indicated that the September personal saving rate continues to be subpar at 3.4 percent—considerably down from August’s revised rate of 4.0 percent, and the lowest rate in the last eight months.*
- *The Federal Reserve Bank of New York’s Quarterly Report on Household Debt and Credit for the third quarter of 2023 showed total household debt increased by \$228 billion (1.3%) in the third quarter of 2023, to \$17.29 trillion. Credit card balances experienced a large jump, and aggregate delinquency rates increased to 3% of outstanding debt.*

Recent Events and Next Steps...

- Fiscal Year 2022-23 Retrospects / Outlooks...October 10, 2023

General Revenue			
FY 2023-24	Recurring	Nonrecurring	Total
Official Outlook 8/18/2023	4470.3	4330.7	8800.9
Retrospect and Other Adjustments	<u>0.0</u>	<u>1045.0</u>	<u>1045.0</u>
	4470.3	5375.6	9845.9

- Florida Retirement System Actuarial Assumption Conference...October 23, 2023

Preliminary FY 2024-25...	General Revenue	Trust	Total
Original Driver Expectation for FRS	30.3	21.0	51.3
FRS Conference relative to FY 2023-24	34.3	23.7	58.0
	Difference	4.0	2.7
			6.7

- Special Session C...November 6-8, 2023

General Revenue			
FY 2023-24	Recurring	Nonrecurring	Total
Official Outlook 10/23/2023	4470.3	5375.6	9845.9
Special Session C Expenditures	<u>0.0</u>	<u>-427.0</u>	<u>-427.0</u>
	4470.3	4948.6	9418.9
		Difference from 8/18/2023	618.0

- Estimating Conference Season...November 28, 2023 through January 16, 2024