

Update: Long-Range Financial Outlook

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Presented by:



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Conference Results (and other adjustments)

Impact from Changes in the Forecast Using Original Assumptions

[Positive = Savings; Negative = Additional Cost]

Florida Population

National Economic

Florida Economic

Not Significantly Different from the Fall

	<u>2011-12</u>	<u>2012-13</u>	<u>Cumulative Effect</u>
Lottery	47.3	47.4	
Slots	0.0	0.5	
Educational Enhancement TF	47.3	47.9	95.2
State School Trust Fund	0.0	0.0	0.0
Tobacco Settlement TF	-5.4	-3.5	-8.9
PECO Trust Fund (Max Approp)	0.0	-113.2	-113.2
General Revenue	46.0	-19.9	26.1

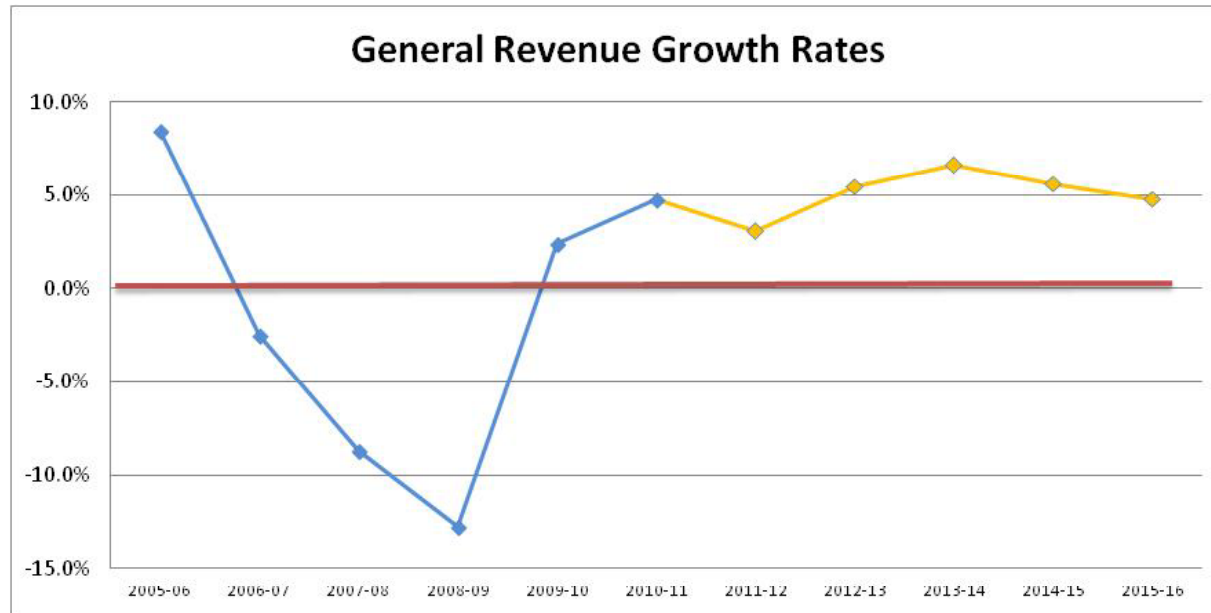
Conference Results (and other adjustments)

Impact from Changes in the Forecast Using Original Assumptions

[Positive = Savings; Negative = Additional Cost]

Budget Drivers	2011-12	2012-13	Cumulative Effect
PreK-12 Ad Valorem	0.0	-24.2	-24.2
PreK-12 Enrollment	0.0	37.7	37.7
Education - EETF Surplus Adj	0.0	95.2	95.2
Education - EETF Base Budget Adj	0.0	4.7	4.7
Voluntary Pre-K	-10.3	-20.8	-31.1
Medicaid (and Fiscal Agent Costs)	19.5	76.0	95.5
TANF	0.0	0.5	0.5
KidCare	0.0	3.7	3.7
Courts - Article V	-11.6	-9.8	-21.4
State Prisons - Crim Justice	0.0	0.0	0.0
Risk Management Trust Fund	0.0	0.0	0.0
State Employees' Health Ins	0.0	0.0	0.0
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	-2.4	163.0	160.6
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General Revenue Forecast



Fiscal Year	Oct Forecast	January Forecast	Difference (Jan - Oct)	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	23195.5	23241.5	46.0	689.9	3.1%
2012-13	24526.8	24506.9	(19.9)	1265.4	5.4%
2013-14	26071.8	26117.6	45.8	1610.7	6.6%
2014-15	27417.9	27580.8	162.9	1463.2	5.6%
2015-16	28838.6	28901.3	62.7	1320.5	4.8%

GR Revenue Adjustments (2011-12)

	FY 2011-12
	<u>Total</u>
Funds Available:	
Balance Forward	746.4
Unused Reserve From Prior Year	0.0
Revenue Estimate	23,195.5
WINTER CONFERENCE ADJUSTMENT TO ESTIMATE	46.0
Transfer From Trust Funds	391.6
MISCELLANEOUS OUTLOOK ADJUSTMENTS	1.7
Total Funds Available	<u>24,381.2</u>

General Revenue Receipts	Total
Original Plan	24741.8
Fall Adjustment	-406.6
Winter Adjustment	46.0
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	24381.2

GR Outlook Balance for FY 2011-12

<u>REVENUES</u>	REC	N/R	TOTAL	<i>Fall</i>	<i>Diff</i>
BALANCE ON CURRENT OFFICIAL OUTLOOK	322.5	671.4	993.9	<i>947.8</i>	<i>46.1</i>
<u>ADJUSTMENTS</u>					
-MINUS- Reserve for Projected Medicaid Shortfall	0.0	-47.3	-47.3		
-MINUS- Reserve for Projected Courts Shortfall	0.0	-121.7	-121.7		
-MINUS- Reserve for Projected VPK Shortfall	0.0	-10.3	-10.3		
ADJUSTMENTS TOTAL	0.0	-179.3	-179.3	<i>-176.9</i>	<i>-2.4</i>
BALANCE FOR LONG-RANGE FINANCIAL OUTLOOK			814.6	<i>770.9</i>	<i>43.7</i>

A projected remaining balance of \$814.6 million in nonrecurring dollars is assumed to be available for use in FY 2012-13.

GR Revenue Adjustments (2012-13)

	<u>2012-13</u> <u>Total</u>
Funds Available:	
Balance Forward	814.6
Unused Reserve From Prior Year	0.0
Revenue Estimate	24,526.8
WINTER CONFERENCE ADJUSTMENT TO ESTIMATE	-19.9
Transfer From Trust Funds	0.0
MISCELLANEOUS OUTLOOK ADJUSTMENTS	94.8
Total Funds Available	<u>25,416.3</u>

General Revenue Receipts	Total
Original Plan	26817.0
Fall Adjustment	-1424.5
Balance Forward Adjustment	43.7
<u>Winter Adjustment</u>	<u>-19.9</u>
	25416.3

GR Expenditure Adjustments (2012-13)

General Revenue Expenditures	Total
Original Plan	25543.1
Reserve	1000.0
Fall Adjustment	45.3
Winter Adjustment	-163.0
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	26425.4

Cumulative Effect on 2012-13

OUTLOOK PROJECTION – FISCAL YEAR 2012-13 <i>(in millions)</i>			
	RECURRING	NON-RECURRING	TOTAL
AVAIL GR	\$24,252.6	\$ 1,163.7	\$25,416.3
<i>Base Budget</i>	\$22,784.3	\$ 0.0	\$22,784.3
<i>Transfer to BSF</i>	\$ 0.0	\$ 214.5	\$ 214.5
<i>Previous Needs</i>	\$ 2,249.0	\$ 295.3	\$ 2,544.3
<i>Fall Conference Adj</i>	\$ 45.3	\$ 0.0	\$ 45.3
<i>Winter Conference Adj</i>	\$ -163.0	\$ 0.0	\$ -163.0
<i>Reserve</i>	\$ 0.0	\$ 1,000.0	\$ 1,000.0
TOTAL	\$24,915.6	\$ 1,509.8	\$26,425.4
BALANCE	\$ -663.0	\$ -346.1	\$ -1,009.1

2012-13 Budget Gap Bottom Line

Conference Adj to Budget Drivers	160.6	86.0%
General Revenue Adjustment	26.1	14.0%
<i>Total Improvement</i>	<u>186.7</u>	

Add'l Issues Discussed in the Senate

	FY 2011-12	FY 2012-13
ADD'L ISSUES--SENATE ('+' = Savings; '-' = Cost)		
ADD'L DEFICIT: Agency for Persons with Disabilities	-43.0	0.0
ADD'L DEFICIT: Clerks from Article V Conference	-58.8	-57.4
NEW DRIVER: Impact of Gross Receipts Revenue Decline	-250.0	0.0
	(351.8)	(57.4)

General Revenue Expenditures	2011-12	2012-13
Winter Revised	23566.6	25425.4
Reserve	0.0	1000.0
Additional Senate Issues	351.8	57.4
	<u>23918.4</u>	<u>26482.8</u>

Revised Bottom Line for Senate...

	2012-13
Available Revenues	25064.5
Senate Expenditures + Reserve	26482.8
Senate Budget Gap	-1418.3
<i>Plan's Gap</i>	-1009.1
<i>Lower Balance Forward (11-12 Exp)</i>	-351.8
<i>Additional Expenditures (12-13 Exp)</i>	-57.4
	<hr style="width: 100%; border: 0.5px solid black;"/> -1418.3

Budget Gap Range:
Original Plan's \$1.0 Billion to \$1.4 Billion with Senate's Additional Issues

Deviation in the Forecast

Using the forecasts from fiscal years 1981-82 through 2010-11, and comparing the forecast used for the development of the GAA (plus the impact of Measures Affecting Revenue) to the final collections for the year :

Average Deviation:

All Years With Positive Percentages (15 Years)	3.6%
All Years With Negative Percentages (15 Years)	-4.1%
All Years - Absolute Value Deviation Percentages (+ or -)	3.6%

General Revenue Collection Forecast for FY 2012-13	24506.9
Top Edge of the Range	882.2
Bottom Edge of the Range	-882.3
Note: Bottom Edge is within the \$1 Billion Reserve.	

Eurozone Problems Still Persist

- The sovereign debt crisis in the Eurozone has led to banking instability with spillover effects on the global credit market.
 - Greek default may occur within the next several months—maybe as early as March.
 - Portugal's debt is rated “junk,” and Italy and Spain have unsustainably high borrowing costs.
 - On Friday, Standard & Poor's downgraded 9 of the Eurozone's 17 members, including France, Austria, Italy, Spain and Portugal, stating:

“The effectiveness, stability and predictability of European policymaking and political institutions have not been as strong as we believe are called for by the severity of a broadening and deepening financial crisis.”
 - On Monday, Standard & Poor's downgraded the rescue fund – the European Financial Stability Facility. If this downgrade is replicated by the other rating agencies, the current rescue plan is likely unworkable as designed and the dollars available for bailout will be reduced.
 - The region's banks still need to be recapitalized.
- It appears that the Eurozone slipped into recession during the fourth quarter of the last calendar year.
- Questions have been raised about the value of the fiscal treaty, regardless of whether final implementation is achieved in the Summer.
- These conditions will negatively affect the United States if no significant improvement is made.
 - Tighter credit conditions already exist.
 - Reduced exports and corporate earnings already exist.

Other Risks to the Forecast

- The forecast assumes that the 2% employee payroll tax cut and emergency unemployment insurance benefits will be extended for all of 2012. At this point, they have only been extended for two months.
- Florida's quarterly personal income growth (third quarter of 2011 over the preceding quarter) fell for the first time since the third quarter of 2009. At -0.1 percent growth, the state was ranked 46th in the country. If below expected personal income growth continues, the outlook will be negatively affected.
- As a result of the Supercommittee's failure, automatic spending cuts are scheduled to kick in at the beginning of 2013. Referred to as the Automatic Sequester, this is the enforcement mechanism used to ensure an additional \$1.2 trillion in spending reductions —falling equally on defense and non-defense spending.
- In Federal Fiscal Year 2008, 13,294 Florida businesses received nearly \$16 billion in federal contracts. The vast majority of this money was defense-related. In 2009, contracts awarded by the Department of Defense accounted for 77 percent of total procurement contracts awarded to Florida.