



# **LONG-RANGE FINANCIAL OUTLOOK**

FISCAL YEARS 2022-23 THROUGH 2024-25

Staff Presentation to the Legislative Budget Commission  
September 3, 2021

## BACKGROUND AND OVERVIEW

- The Legislative Budget Commission must issue a Long-Range Financial Outlook annually by September 15 as required by the Florida Constitution.
- The Outlook is comprised of both revenue and expenditure estimates over a three-year period. This year's version includes FY 2022-23, FY 2023-24, and FY 2024-25.
- Estimates are based on consensus estimating conferences and recent historical experience.
- Expected revenues minus expected expenditures yield either a **surplus or deficit** for each of the three forecasted years. The primary focus is on the **General Revenue Fund**.

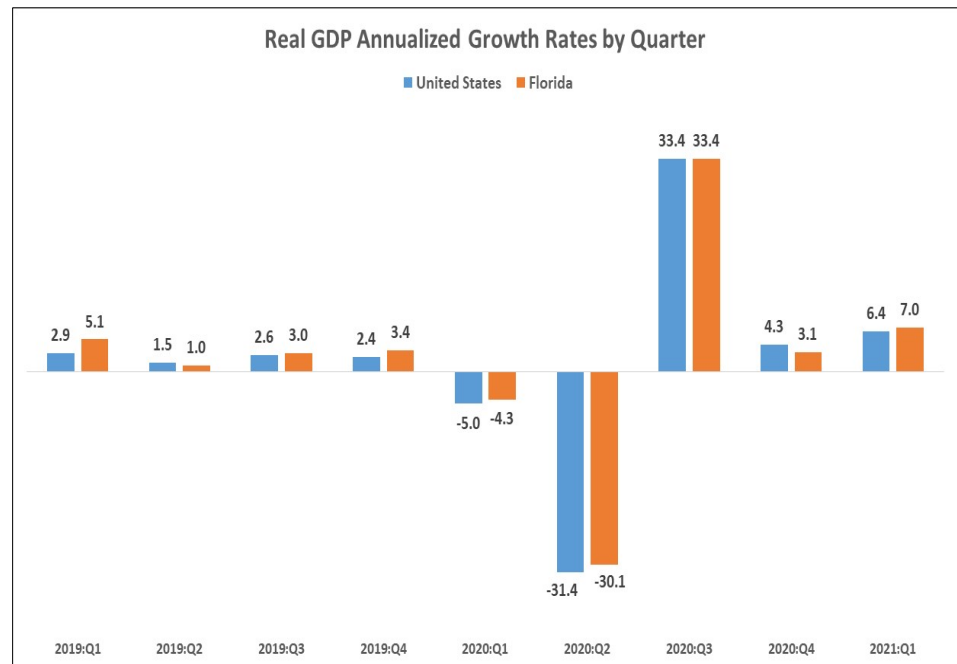
## 2021 OUTLOOK KEY POINTS

- General Revenue Fund collections are projected to be above the pre-pandemic forecasted levels for FY 2021-22 and FY 2022-23.
- Growth in General Revenue Fund collections is expected to be 4% annually throughout the three-year forecast period.
- Projected expenditures are considerably less than the General Revenue expected to be available each year of the Outlook—significant surpluses are projected for all three fiscal years.
- Current year reserves are substantial, including an estimated \$7.3 billion of unallocated General Revenue and \$2.7 billion in the Budget Stabilization Fund.
- A minimum reserve of 3.9% of the revenue estimate is retained in the General Revenue Fund for each year of the Outlook.
- The Outlook does not account for new or expanded programs; new appropriations projects; or potential risks such as hurricanes.

# ECONOMIC OUTLOOK

**After Florida's economy shrank 0.5% in FY 2019-20, it appears to have grown 2.0% in FY 2020-21.**

- The turnaround was led by a stronger than anticipated response to the federal stimulus packages, coupled with a faster than expected reopening of the economy.
- While significant risks still remain, the current economic outlook for the forecast period appears to be good.



# ECONOMIC AND DEMOGRAPHIC TRENDS

## ■ Gross Domestic Product (GDP)

- Projected to be above pre-pandemic estimates this year.
- Annual growth projected to average 2.5% over the next three fiscal years.

## ■ Personal Income

- Projected to increase 1.5% this year.
- Annual growth rates expected to remain above 4.0% over the next three fiscal years.

## ■ Tourism

- Projected to increase 38.4% this year over the extremely suppressed level in FY 2020-21.
- Annual growth rates expected to moderate thereafter.

## ■ Housing Market

- Documentary Stamp Tax collections projected to decline 6.5% this year after FY 2020-21 collections exceeded the prior peak in FY 2005-06.
- Declines in annual collections expected for the next three fiscal years.

## ■ Population

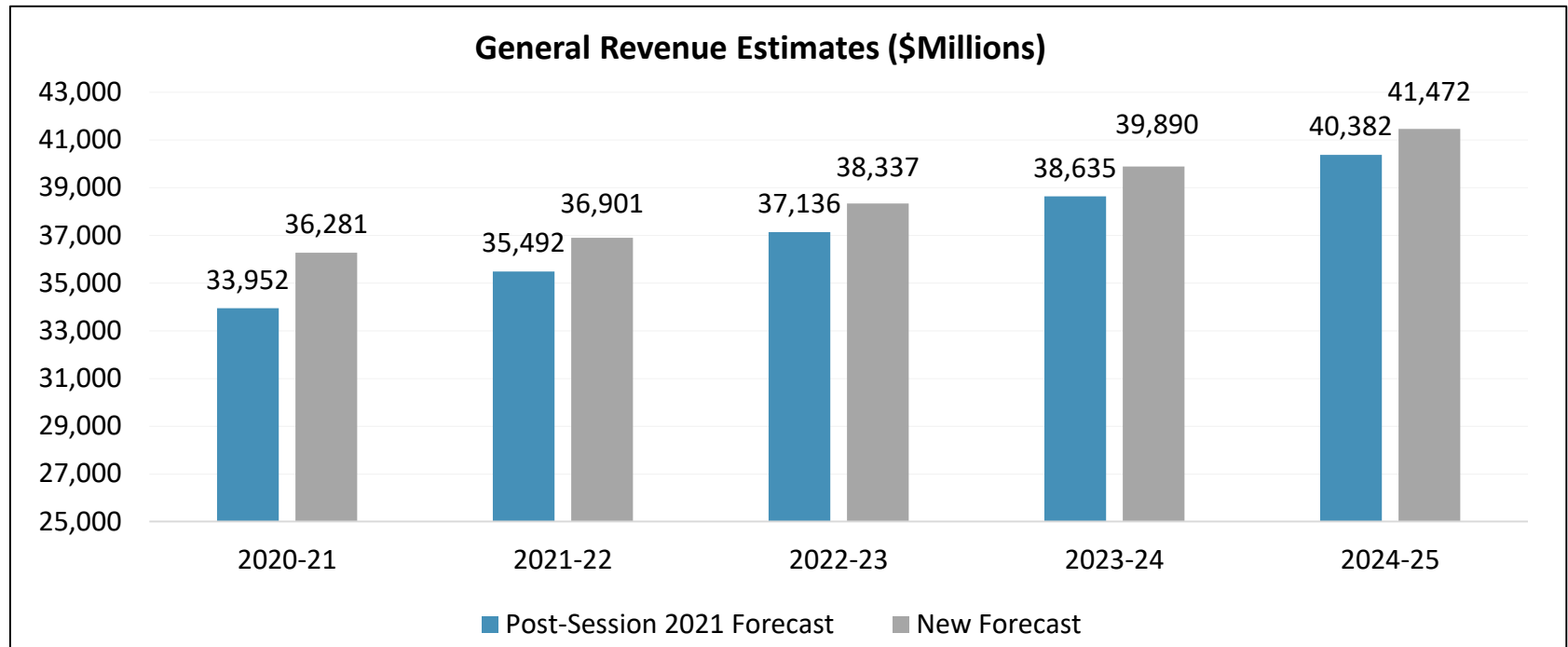
- Population has diversified over the past 10 years.
- Over one-third (33.8%) of the population is 57 years and older.
- Population growth not expected to return to peak period, when it averaged more than 1,000 people per day.
- Annual growth of 1.2% expected through 2030 – slightly more than 750 persons per day.

## COMPONENTS OF THE OUTLOOK

- **Revenue Projections** are based on the latest official forecasts of the Revenue Estimating Conference that were developed over the summer.
- **Expenditure Projections** are based on the latest projections from estimating conferences and historical funding averages.
  - *Critical Needs* are issues that generally reflect the minimum funding requirements for core government functions within the current policy framework.
  - *Other High Priority Needs* are issues that have been funded in most, if not all, of the recent budget years.
- **Revenue Adjustments** are tax and fee changes and trust funds transfers that have been included in recent budget years.

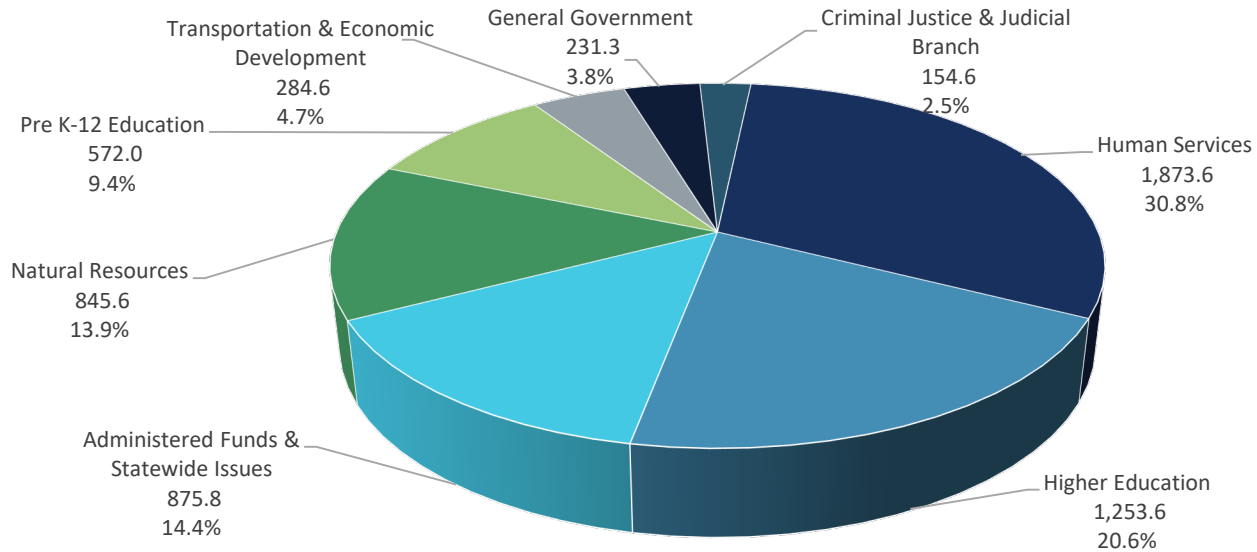
# GENERAL REVENUE FUND REVENUE PROJECTIONS

- The General Revenue estimates developed over the summer reflect an economy that is largely returning to normal.
- The Revenue Estimating Conference increased the forecast by \$1.4 billion (4.0%) in FY 2021-22 and by \$1.2 billion (3.2%) in FY 2022-23.



# GENERAL REVENUE FUND EXPENDITURE PROJECTIONS

New General Revenue Needs Over Three-Year Period = \$6.1 Billion



Dollar Value (\$Millions)	FY 2022-23	FY 2023-24	FY 2024-25	3-Year Total
<b>Critical Needs</b>	1,239.4	588.9	476.9	2,305.21
<b>Other High Priority Needs</b>	1,176.5	1,311.1	1,298.4	3,785.97
<b>Critical Needs and Other High Priority Needs</b>	2,415.9	1,900.0	1,775.3	6,091.18

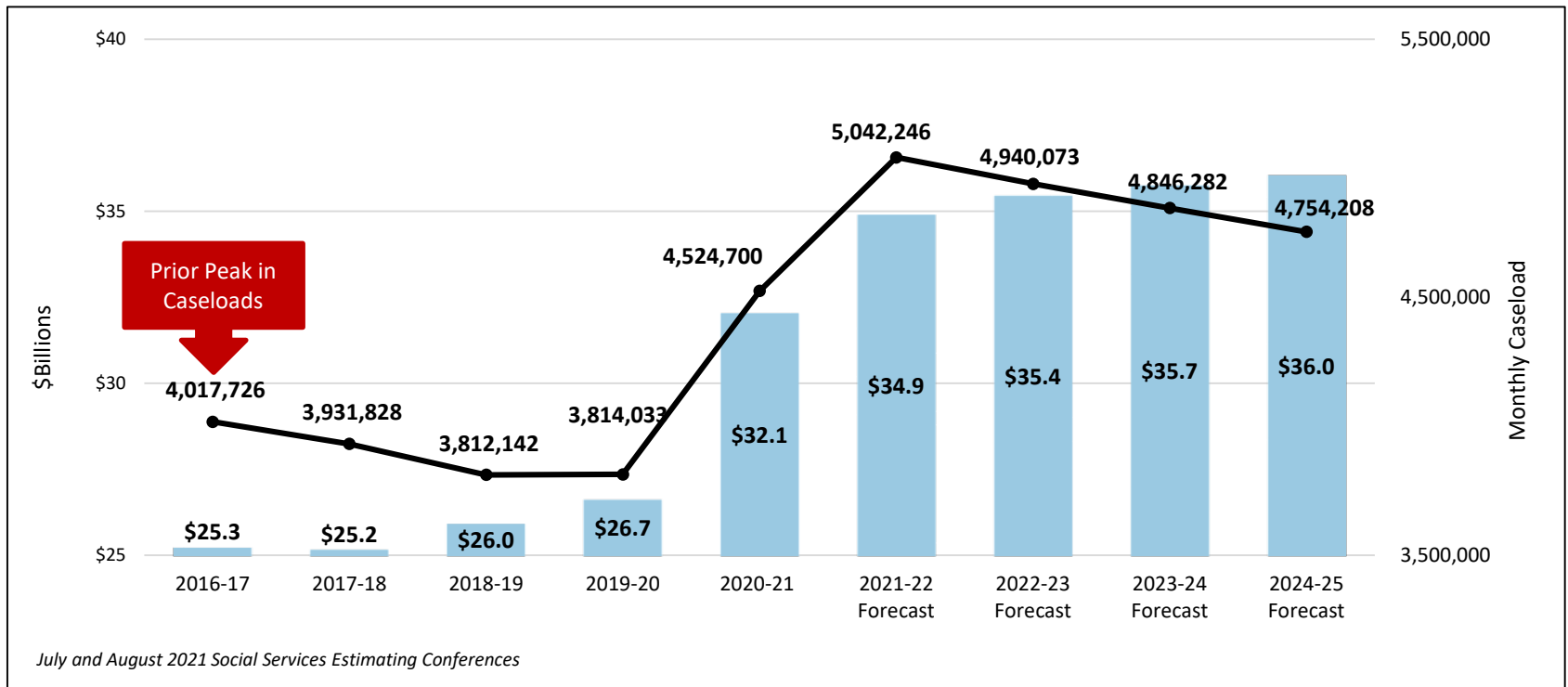


# GENERAL REVENUE FUND SIGNIFICANT BUDGET DRIVERS

CRITICAL NEEDS	FY 2022-23	FY 2023-24	FY 2024-25	3-Year Total
Medicaid Program	1,160.8	71.9	(30.2)	1,202.4
Workload and Enrollment - Florida Education Finance Program	390.3	381.6	322.1	1,094.0
Increases in Employer-Paid Benefits for State Employees	77.0	109.8	113.2	300.1
State Match for Federal Emergency Management Agency Funding	104.0	70.1	57.6	231.7

OTHER HIGH PRIORITY NEEDS	Fiscal Year 2022-23	Fiscal Year 2023-24	Fiscal Year 2024-25	3-Year Total
Maintain Current Budget - Higher Education	333.9	333.9	333.9	1,001.8
Other Agricultural and Environmental Programs	149.0	157.0	157.4	463.5
Water and Land Conservation	36.5	172.8	172.8	382.2

# MEDICAID CASELOADS AND EXPENDITURES



- In FY 2021-22, there are projected to be 5 million beneficiaries – 1 million more than in the prior peak.
- An increase of \$1.2 billion of General Revenue is needed in FY 2022-23 to fund the state’s share of the program.

# RECURRING DRIVERS “STACK UP” OVER TIME

## Total General Revenue Needs Over Three-Year Period = \$10.7 Billion

- Over the entire three-year period, nearly 76 percent of the new General Revenue funding must be recurring to support the ongoing nature of the expenditure.
- Those recurring expenditures accumulate in the subsequent years.

General Revenue Fund Recurring and Nonrecurring Budget Driver Impact (\$Millions)	FY 2022-23	FY 2023-24	FY 2024-25	3-Year Total	% of Three- Year Total
New Recurring Drivers for Each Year	1,881.1	866.3	748.4	3,495.9	
Continuation of Year 1 Recurring Drivers		1,881.1	1,881.1	3,762.2	
Continuation of Year 2 Recurring Drivers			866.3	866.3	
Cumulative Impact of Recurring Drivers	1,881.1	2,747.4	3,495.9	8,124.4	75.8%
Nonrecurring Drivers for Each Year	534.8	1,033.7	1,026.9	2,595.3	24.2%
<b>Grand Total</b>	<b>2,415.9</b>	<b>3,781.1</b>	<b>4,522.8</b>	<b>10,719.7</b>	

# GENERAL REVENUE FUND REVENUE ADJUSTMENTS

	FY 2022-23			FY 2023-24			FY 2024-25		
	Recur	Non Recur	Total	Recur	Non Recur	Total	Recur	Non Recur	Total
Continuing Tax / Fee Changes	(45.7)	27.9	(17.8)	(45.7)	27.9	(17.8)	(45.7)	27.9	(17.8)
Recurring Impact of Prior Years' Continuing Tax and Fee Changes	-	-	-	(45.7)	-	(45.7)	(91.4)	-	(91.4)
Time-Limited Tax / Fee Changes	-	(66.8)	(66.8)	-	(66.8)	(66.8)	-	(66.8)	(66.8)
<b>Total Tax / Fee Changes</b>	<b>(45.7)</b>	<b>(38.9)</b>	<b>(84.6)</b>	<b>(91.4)</b>	<b>(38.9)</b>	<b>(130.3)</b>	<b>(137.1)</b>	<b>(38.9)</b>	<b>(176.0)</b>
Trust Fund Transfers	-	152.1	152.1	-	152.1	152.1	-	152.1	152.1
<b>NET ADJUSTMENT TO GR</b>	<b>(45.7)</b>	<b>113.2</b>	<b>67.5</b>	<b>(91.4)</b>	<b>113.2</b>	<b>21.8</b>	<b>(137.1)</b>	<b>113.2</b>	<b>(23.9)</b>

# 2021 OUTLOOK SUMMARY

General Revenue Fund (\$Millions)		Year 1 FY 2022-23	Year 2 FY 2023-24	Year 3 FY 2024-25
Revenues Available		38,476	40,028	41,607
Unused Reserve from Prior Year		7,324	8,491	9,799
Expenditures	Minimum Reserve	(1,501)	(1,561)	(1,623)
	Recurring Base Budget	(34,961)	(36,842)	(37,708)
	Critical Needs Budget Drivers	(1,239)	(589)	(477)
	Other High Priority Needs Budget Drivers	(1,177)	(1,311)	(1,298)
	<b>Ending Balance After Expenditures</b>	<b>6,923</b>	<b>8,216</b>	<b>10,299</b>
Revenue Adjustments	Tax and Fee Changes	(85)	(130)	(176)
	Trust Fund Transfers	152	152	152
	<b>Revenue Adjustments</b>	<b>68</b>	<b>22</b>	<b>(24)</b>
<b>Projected Surplus / (Deficit)</b>		<b>6,990</b>	<b>8,238</b>	<b>10,275</b>

Note: The revenues available include the revenue estimate for the General Revenue Fund, as well as other adjustments on the Financial Outlook Statement that affect the funds available for expenditure.

# OUTLOOK PROJECTION FOR FISCAL YEAR 2022-23

General Revenue Fund	Recur	Non Recur	Total
Revenues Available	38,926	(451)	38,476
Balance Forward from Prior Year	-	7,324	7,324
Revenue Adjustments	(46)	113	68
<b>Total Funds Available</b>	<b>38,881</b>	<b>6,987</b>	<b>45,867</b>
Recurring Base Budget	34,961	-	34,961
Critical Needs	1,496	(257)	1,239
Other High Priority Needs	385	792	1,177
<b>Total Expenditures</b>	<b>36,842</b>	<b>535</b>	<b>37,376</b>
Minimum Reserve	-	1,501	1,501
<b>Projected Ending Balance</b>	<b>2,039</b>	<b>4,951</b>	<b>6,990</b>

# OUTLOOK PROJECTION COMPARED TO LAST YEAR

- The net result for FY 2022-23 is significantly better than anticipated by the 2020 Outlook—the greatest difference is in funds available.

Fiscal Year 2022-23	2020 Outlook	2021 Outlook	Difference	Effect on Bottom Line
<b>Funds Available</b>				
Balance Forward from 2021-22	1,000.0	7,324.0	6,324.0	Positive
Available General Revenue	35,403.6	38,475.8	3,072.2	Positive
Trust Fund Transfers	312.4	152.1	(160.3)	Negative
Tax and Fee Changes	(153.4)	(84.6)	68.8	Positive
<b>Total Funds Available</b>	<b>36,562.6</b>	<b>45,867.3</b>	<b>9,304.7</b>	<b>Positive</b>
			<b>25.4%</b>	
<b>Projected Expenditures</b>				
Base Budget for 2022-23	35,687.0	34,960.5	(726.5)	Positive
Total New Budget Drivers for 2022-23	1,774.7	2,415.9	641.2	Negative
<b>Total Projected Expenditures</b>	<b>37,461.7</b>	<b>37,376.4</b>	<b>(85.3)</b>	<b>Positive</b>
			<b>-0.2%</b>	
<b>Additional Adjustments for Reserves</b>				
BSF Transfer	-	-	-	
Reserve	1,000.0	1,500.6	500.60	Negative
<b>Bottom Line</b>	<b>(1,899.1)</b>	<b>6,990.3</b>	<b>8,889.4</b>	