



State of Florida

Long-Range Financial Outlook

FISCAL YEARS 2024-25 THROUGH 2026-27

Fall 2023 Report
As Adopted by the Legislative Budget Commission
September 8, 2023

Jointly prepared by the following:
The Senate Committee on Appropriations
The House Appropriations Committee
The Legislative Office of Economic and Demographic Research

TABLE OF CONTENTS

EXECUTIVE SUMMARY	3
REVENUE PROJECTIONS	5
General Revenue Fund.....	5
Major Revenues for Education	6
Tobacco-Related Revenues.....	8
EXPENDITURE PROJECTIONS.....	9
Critical Needs	11
Other High Priority Needs.....	22
REVENUE ADJUSTMENTS	33
Tax and Significant Fee Changes.....	33
Trust Fund Transfers to General Revenue	35
STATE RESERVES	36
ECONOMIC AND DEMOGRAPHIC TRENDS.....	38
Key Economic Trends.....	38
Key Demographic Trends	41
SIGNIFICANT RISKS TO THE FORECAST	43
FISCAL STRATEGIES	46
APPENDIX A – SUMMER REVENUE ESTIMATING CONFERENCE RESULTS	48
APPENDIX B – PROJECTED ENDING BALANCE CALCULATIONS.....	50
APPENDIX C – HISTORICAL TABLES	51

EXECUTIVE SUMMARY

KEY POINTS

- ❖ The State of Florida’s General Revenue Fund collections have continued to exceed expectations, in part because the previously expected recession failed to materialize during the 2022-23 fiscal year.
- ❖ Within the Outlook period, projected expenditures are less than the General Revenue funds expected to be available. While surpluses are projected for all three fiscal years, the ending balances decrease each year of the forecast.
- ❖ A minimum reserve equivalent to 3.9 percent of the revenue estimate is maintained in the General Revenue Fund for each year of the Outlook.
- ❖ The Outlook does not account for any new or expanded programs or potential risks such as hurricanes or other natural disasters. Decisions regarding additional expenditures beyond the levels contemplated in the Outlook should consider the out-year impacts.

The Long-Range Financial Outlook (Outlook) is issued annually by the Legislative Budget Commission as required by article III, section 19(c)(1) of the Florida Constitution. The Outlook provides a longer-range picture of the state’s fiscal position that integrates expenditure projections for the major programs driving Florida’s annual budget requirements with the latest official revenue estimates. The 2023 Outlook includes projections for Fiscal Years 2024-25, 2025-26, and 2026-27. The estimates included in the Outlook are based upon the summer 2023 estimating conference results and recent historical experience. The Outlook does not predict the overall funding levels of future state budgets or the final amount of funds to be allocated to the respective budget areas—it simply presents a reasonable baseline to help the Legislature avoid future budget difficulties and maintain financial stability between fiscal years.

Expenditure projections, or budget drivers, are grouped into two categories: (1) Critical Needs, which are generally mandatory increases based on estimating conferences and other essential needs; and (2) Other High Priority Needs, which are issues that have been funded in most, if not all, recent budgets. This year’s Outlook identifies 14 Critical Needs budget drivers and 28 Other High Priority Needs budget drivers, with total General Revenue needs of \$4.9 billion in Fiscal Year 2024-25, \$5.3 billion in Fiscal Year 2025-26, and \$4.7 billion in Fiscal Year 2026-27. The combined cost for both the Critical Needs and Other High Priority Needs budget drivers shows the impact of continuing the programs and priorities funded in recent years into the three years included in the Outlook. Notably, the three-year cost for the budget drivers included in this year’s Outlook is nearly \$15 billion—more than twice the \$7.2 billion contemplated in the 2022 Outlook.

The revenue projections directly included in the Outlook are primarily focused on the General Revenue Fund, the Educational Enhancement Trust Fund, the State School Trust Fund, and the Tobacco Settlement Trust Fund, but the latest forecasts for many of the other revenues were also used to develop the expenditure projections. While the latest estimates for the three major trust funds show mixed results relative to prior forecasts, the estimates for General Revenue collections were increased for each year of the Outlook. A sizable reserve balance is projected to remain at the end of Fiscal Year 2023-24 in the General Revenue Fund and will be available for use in Fiscal Year 2024-25. Similar to the budget drivers,

two types of revenue adjustments affecting the General Revenue Fund are included in the Outlook: (1) tax and fee adjustments; and (2) trust fund transfers. The Outlook assumes similar adjustments will be made in future years as have been made in the recent past. In this year’s Outlook, the net impact of these adjustments to the General Revenue Fund is -\$626.8 million in Fiscal Year 2024-25; -\$761.6 million in Fiscal Year 2025-26; and -\$896.4 million in Fiscal Year 2026-27. Similar to the budget drivers, this year’s revenue adjustments are significantly larger than those included in the 2022 Outlook.

The revenue and expenditures estimates included in the Outlook primarily reflect current law requirements. The budget drivers do not include any assumptions regarding the creation of new programs or expansion of current programs. Further, the Outlook does not make any discrete adjustments for potential risks, such as major hurricanes or other natural disasters.

Within the Outlook, the estimated revenues are compared to the expenditure projections and revenue adjustments to yield either a surplus or deficit for each of year of the Outlook. A minimum reserve of 3.9 percent of estimated revenue is maintained in the General Revenue Fund for each year of the Outlook. This year’s Outlook projects surpluses for all three fiscal years as shown in the following table; however, the decreasing ending balances indicate the projected expenditures are beginning to outpace available revenues. Decisions regarding additional expenditures, in the form of either budget drivers or revenue adjustments, beyond the levels contemplated in the Outlook should consider the out-year impacts.

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	Minimum Reserve	(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)
Projected Surplus / (Deficit)		7,028	5,360	2,718

Note: totals may not add due to rounding.

REVENUE PROJECTIONS

KEY POINTS

- ❖ The state's new forecast for General Revenue is colored by the previously expected recession that failed to materialize in Fiscal Year 2022-23 and elevated inflation that lasts longer into the forecast.
- ❖ Sales Tax collections are shaped by the need to address increasing household debt, the return to a more normal purchasing mix of goods and services, and strong inflationary pressures.
- ❖ The major education revenues (including associated transfers) show mixed results relative to prior forecasts.
- ❖ The outlook for tobacco-related revenues has worsened as the reduction in consumption accelerates.

The revenue projections directly included in the Outlook are primarily focused on the General Revenue Fund, the Educational Enhancement Trust Fund, the State School Trust Fund, and the Tobacco Settlement Trust Fund. While many of the other projections are not described in detail in the Outlook, the latest forecasts for those sources were also used to develop the expenditure projections. A summary table of all revenue estimates adopted during the summer, including links to the official forecasts, is provided in Appendix A. 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.

General Revenue Fund

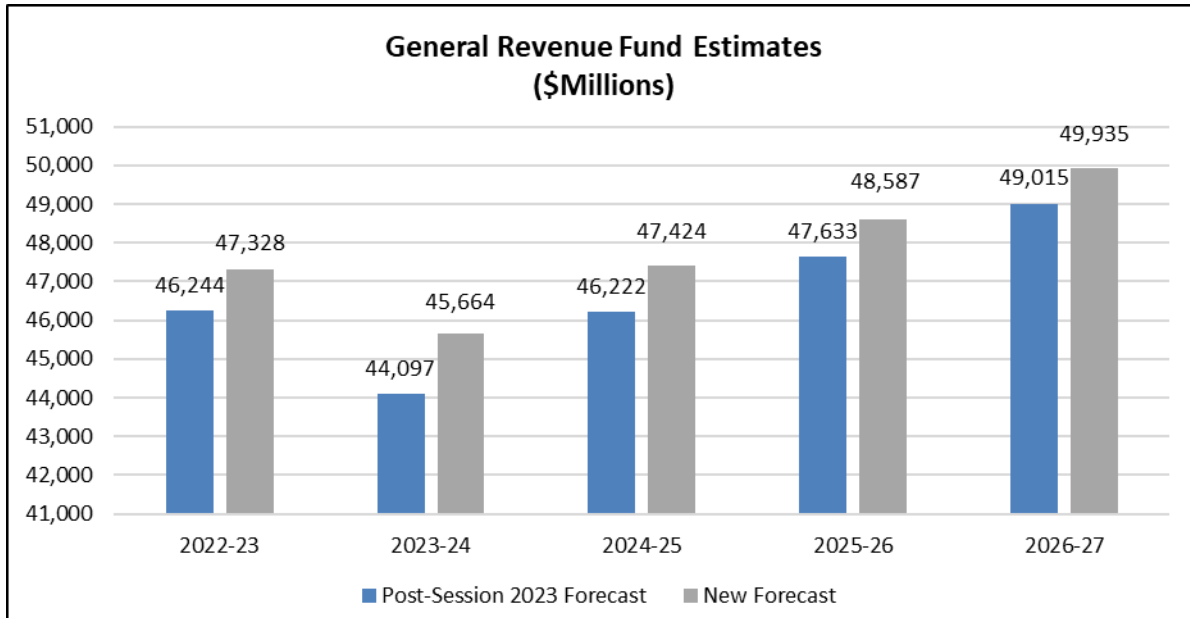
The new state and national economic forecasts adopted in July 2023 were little changed from those adopted in February 2023, although that forecast cycle had assumed a mild recession in the first and second quarters of 2023 that failed to materialize. Even so, economic disruption is still evident, with varied impacts on household savings, elevated use of credit, 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 March 2023 estimating conference. General Revenue collections across all sources were \$1.08 billion or 2.3 percent over the estimate for the 2022-23 fiscal year.

After taking account of \$1.02 billion in tax relief affecting the General Revenue Fund that was enacted during the 2023 Session, the Revenue Estimating Conference added \$1.57 billion to the estimate for Fiscal Year 2023-24. Relative to Fiscal Year 2022-23, the new forecast for Fiscal Year 2023-24 has a decline of -3.5 percent due to the net effect of legislative changes, the forecast adjustments, and the diminishing impact from Hurricane Ian recovery efforts. The growth in Fiscal Year 2024-25 over Fiscal Year 2023-24, however, is 3.9 percent. The two-year combined increase for Fiscal Year 2023-24 and Fiscal Year 2024-25 adds \$2.77 billion to the prior forecast for this period. These changes reflect increases over the previous estimates of 3.6 percent in Fiscal Year 2023-24 and 2.6 percent in Fiscal Year 2024-25.

While actual Sales Tax collections for Fiscal Year 2022-23 were only 1.2 percent over the estimate, this source had the largest adjustment in the new forecast. In varying ways, Sales Tax has been, and will continue to be, particularly affected by inflation. The anticipated gain to General Revenue is \$907.6 million

in Fiscal Year 2023-24 and \$615.1 million in Fiscal Year 2024-25, with all six Sales Tax categories seeing increases in both years. The Conference noted future risks to Sales Tax collections include consumers returning to a typical purchasing mix of goods and services, dealing with increased debt, and managing personal budget constraints in a period of elevated inflation.

The following chart shows the new forecast compared to the post-session forecast.



After all revenue and appropriation changes are incorporated, the projected ending balance on the state’s official Financial Outlook Statement for Fiscal Year 2023-24 is \$8.8 billion. The Fiscal Year 2024-25 starting point for the Long-Range Financial Outlook, however, also includes \$270.8 million in additional adjustments to address current year projected deficits and shortfalls identified in the various summer estimating conferences. These adjustments include \$218.0 million in the Medicaid program; \$0.1 million in the TANF program; \$30.6 million in the Educational Enhancement Trust Fund; \$4.5 million in Bright Futures scholarships; \$0.9 million in Benacquisto scholarships; \$0.4 million in scholarships for Children/Spouses of Deceased/ Disabled Veterans; and \$16.3 million for fiscally constrained counties. The adjusted \$8.5 billion balance, as shown on Row 2 in Appendix B, is assumed to be available for expenditure in Fiscal Year 2024-25.

Major Revenues for Education

The major revenue sources for expenditure on education programs, including Ad Valorem Assessments; Unclaimed Property Transfers to the State School Trust Fund (SSTF); and transfers to the Educational Enhancement Trust Fund (EETF) from Lottery Ticket Sales and the Slot Machines Tax, have mixed results and are treated separately below.

Ad Valorem Assessments

Estimates of the statewide property tax roll are primarily used in the appropriations process to calculate the Required Local Effort (RLE) millage rates, which are the expected rates local school districts must levy in order to generate the required local funding for participation in the Florida Education Finance Program.

Certified school taxable value for 2023 came in at \$3,367.19 billion or \$80.89 billion (2.5 percent) higher than expected. Based largely on this new information, the new projection for 2024 is \$3,474.08 billion or \$78.59 billion (2.3 percent) higher than the previous estimate for 2024. While not as strong as the 14.79 percent growth seen in 2023, the new estimate for 2024 still represents growth of 3.17 percent over the prior year, with the value of one mill projected to be \$3,335.12 million. Growth in future years gradually improves from this point as monetary policy begins to ease and interest rates become more favorable. While the new growth rates are slightly lower than previously anticipated, the levels are higher coming off the stronger than expected 2023 base. The new estimates for 2025 and 2026 are \$3,652.71 billion (based on 5.14 percent growth) and \$3,854.68 billion (based on 5.53 percent growth), respectively.

Unclaimed Property

Estimates of receipts and refunds to owners from unclaimed property are used to determine the distribution into the State School Trust Fund (SSTF). By the end of Fiscal Year 2022-23, \$425.0 million had been transferred to the trust fund, which was \$140.0 million above the February 2023 estimate. The Conference assumes that receipts will stay strong in Fiscal Year 2023-24, but also foresees higher refunds. Since the annual change in receipts is higher than the change in refunds through Fiscal Year 2025-26, the bottom line is an increase in transfers for three of the four years relevant to the Long-Range Financial Outlook. The new forecast projects transfers to the SSTF of \$387.2 million for Fiscal Year 2023-24, \$284.0 million for Fiscal Year 2024-25, \$255.2 million for Fiscal Year 2025-26, and \$247.2 million for Fiscal Year 2026-27.

After all revenue and appropriation changes are incorporated, the projected ending balance on the Financial Outlook Statement for Fiscal Year 2023-24 is \$346.4 million. This balance is assumed to be available for expenditure in Fiscal Year 2024-25.

Lottery Ticket Sales and Slot Machine Revenues

Both Lottery ticket sales and slot machine revenues support the Educational Enhancement Trust Fund (EETF).

Final Lottery ticket sales for Fiscal Year 2022-23 were just over \$9.80 billion, which was \$184.1 million or 1.9 percent lower than the previous estimate. This loss was primarily caused by flagging scratch-off sales. The associated transfer to EETF was \$2.37 billion for the year, which was a loss of \$123.8 million compared to the estimate, or 5.0 percent. In addition to the ticket sales history, the Conference reviews the factors that affect transfers to the EETF. One notable change was the new 6.0 percent retailer commission rate for Fiscal Year 2023-24—an increase from the 5.6 percent previously adopted. As a result of this and other discrete changes to the estimates for individual games, transfers to the EETF are relatively unchanged in Fiscal Year 2023-24, but are reduced from the prior forecast by \$33.1 million to \$38.4 million in each of the subsequent years. The new estimates for EETF transfers are \$2.30 billion for Fiscal Year 2023-24, \$2.26 billion for Fiscal Year 2024-25, \$2.29 billion for Fiscal Year 2025-26, and \$2.31 billion for Fiscal Year 2026-27.

Slot machine tax collections for Fiscal Year 2022-23 were \$241.6 million, or \$1.0 million below the forecast adopted at the last conference. The percentage error (-0.4 percent) is well less than the rate that the Conference typically attributes to noise. Given the relatively small size of the overall loss, the Conference decided to maintain the previously adopted forecast for the current year and all out years, but realigned the estimates for individual facilities to come back to the same total. The new estimates are \$245.4 million for Fiscal Year 2023-24, \$247.9 million for Fiscal Year 2024-25, \$250.7 million for Fiscal Year 2025-26, and \$253.5 million for Fiscal Year 2026-27.

After all revenue and appropriation changes are incorporated for both revenue sources, the Educational Enhancement Trust Fund is now in a projected deficit for the current year, with appropriations exceeding expenditures on the Financial Outlook Statement by \$30.6 million. Florida law requires the negative balance to be cleared prior to the end of the fiscal year.

Tobacco-Related Revenues

Tobacco-related revenues affect expenditures in the Health and Human Services area, particularly those sources supporting the Tobacco Settlement Trust Fund and the Health Care Trust Fund in the Medicaid program. The Revenue Estimating Conference adopted new forecasts this summer for both Tobacco Tax and Surcharge revenues and the Tobacco Settlement payments.

Total Tobacco Tax and Surcharge collections are actually derived from two different sources: the Cigarette Tax and Surcharge and the Other Tobacco Products (OTP) Tax and Surcharge. For the Cigarette Tax and Surcharge, the Conference lowered the forecast to reflect the downward drift that has been seen in recent years. The combined forecast for Cigarette Tax and Surcharge is lower than the prior forecast by \$8.1 million in Fiscal Year 2023-24, \$16.2 million in Fiscal Year 2024-25, \$25.8 million in Fiscal Year 2025-26, and \$34.9 million in Fiscal Year 2026-27. For OTP, the Conference took into consideration the two consecutive years of stalled growth for OTP Tax and Surcharge collections by holding projected collections for Fiscal Year 2023-24 at roughly the same level. Thereafter, growth slowly resumes. As a result, the combined forecast for OTP Tax and Surcharge is lower than the prior forecast by \$5.2 million in Fiscal Year 2023-24, \$6.7 million in Fiscal Year 2024-25, \$7.5 million in Fiscal Year 2025-26, and \$8.4 million in Fiscal Year 2026-27. The distribution most affected by these changes is made to the Health Care Trust Fund. The transfers are lower than previously expected by \$9.0 million in Fiscal Year 2023-24, \$15.5 million in Fiscal Year 2024-25, \$22.7 million in Fiscal Year 2025-26, and \$29.6 million in Fiscal Year 2026-27.

Tobacco settlement payments accrue to the state from a formal settlement agreement entered 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 made following the end of each participating company's fiscal year. Both payments continue in perpetuity. When the Conference last convened in April 2023, the final payment for the 2022-23 fiscal year was already known, so no additional adjustments were needed to the receipts for the year. Only two sources of additional data were available for the summer estimating conference: a revised Consumer Price Index series based on the latest forecast from the National Economic Estimating Conference, and new estimates for the percent change in domestic cigarette units sold based on the Tobacco Tax and Surcharge Conference results. The changes to annual payments were increased by \$8.5 million for Fiscal Year 2023-24, \$5.6 million for Fiscal Year 2024-25, and \$1.8 million for Fiscal Year 2025-26, and reduced by \$2.4 million for Fiscal Year 2026-27. After all revenue and appropriation changes are incorporated, the projected ending balance on the Financial Outlook Statement for Fiscal Year 2023-24 is \$30.3 million. This balance is assumed to be available for expenditure in Fiscal Year 2024-25.

EXPENDITURE PROJECTIONS

KEY POINTS

- ❖ There are 14 Critical Needs budget drivers and 28 Other High Priority Needs budget drivers included in the Outlook.
- ❖ The projected General Revenue need is \$4.9 billion in Fiscal Year 2024-25; \$5.3 billion in Fiscal Year 2025-26; and \$4.7 billion in Fiscal Year 2026-27.
- ❖ Across the three years of the Outlook, the largest General Revenue needs are in the Natural Resources, Human Services, and Administered Funds & Statewide Issues policy areas.

To develop the expenditure projections included in the Outlook, referred to as budget drivers, all major programs that have historically driven significant increases in the state’s budget were analyzed. Forecasts of future workload increases were developed for each of the major cost drivers using a variety of methods, including the most recent projections from estimating conferences held during the summer, as well as historical funding averages. Exceptional funding needs—the fiscal impact of special issues outside of normal workload and caseload requirements—are identified and addressed when necessary for state operations. When historical funding averages are used, the Outlook relies on three-year averages of pre-veto appropriations, unless otherwise noted. Although emphasis is placed on recurring budget programs that the state is expected or required to continue from year to year, estimates for ongoing programs traditionally funded with nonrecurring funds are also included in the Outlook.

The budget drivers are grouped by policy areas and are categorized as either Critical Needs or Other High Priority Needs. Critical Needs are issues that can generally be thought of as the minimum funding requirements for core government functions within the current policy framework, absent significant law or structural changes. Other High Priority Needs are issues that have been funded in most, if not all, recent budgets. The budget drivers do not include any assumptions regarding the creation of new programs or expansion of current programs.

This year’s Outlook identifies 14 Critical Needs budget drivers and 28 Other High Priority Needs budget drivers, with total General Revenue needs of \$4.9 billion in Fiscal Year 2024-25; \$5.3 billion in Fiscal Year 2025-26; and \$4.7 billion in Fiscal Year 2026-27. Combining both types of budget drivers provides 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 and Other High Priority Needs	4,874.2	5,327.9	4,672.0

Note: totals may not add due to rounding.

Across the three years included in the Outlook, the total projected need for new General Revenue spending is nearly \$15 billion, with five of the eight policy areas exceeding \$2 billion in need. The top three policy areas in terms of General Revenue budget drivers are the Natural Resources, Human Services, and Administered Funds and Statewide Issues policy areas, which together represent 56 percent of the three-year total need.

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	Three- Year Total	% of Three- Year Total
Pre K-12 Education	767.1	862.8	662.3	2,292.2	15.4%
Higher Education	767.3	716.6	722.9	2,206.8	14.8%
Human Services	803.2	1,233.5	848.4	2,885.1	19.4%
Criminal Justice & Judicial Branch	47.3	47.3	47.3	142.0	1.0%
Transportation & Economic Development	479.6	477.9	479.6	1,437.1	9.7%
Natural Resources	878.6	1,006.1	1,006.7	2,891.4	19.4%
General Government	181.4	172.3	168.7	522.5	3.5%
Administered Funds & Statewide Issues	<u>949.7</u>	<u>811.3</u>	<u>736.1</u>	<u>2,497.0</u>	<u>16.8%</u>
Total New Issues	4,874.2	5,327.9	4,672.0	14,874.1	100.0%

Note: totals may not add due to rounding.

The policy areas differ in their General Revenue needs by year. Three policy areas have greater needs in the second year of the Outlook: Pre K-12 Education, Human Services, and Natural Resources. Within the Human Services policy area, the Social Services Estimating Conference adjusts the amount needed from the General Revenue Fund for the Medicaid program based on projected trust fund revenues. In the new estimate for Fiscal Year 2024-25, available cash balances in the Public Medical Assistance Trust Fund and the Grants and Donations Trust Fund decrease the need for General Revenue in the Medicaid program by \$545.8 million. For the other two policy areas, the Outlook itself maximizes the use of 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. The availability of these trust funds decreases the need for supplemental funding from General Revenue in Fiscal Year 2024-25 by \$269.9 million for Pre K-12 Education and by \$111.9 million for Natural Resources. The largest adjustments occur in the first year of the Outlook as prior year trust fund balances are utilized.

Focusing solely on the total General Revenue increases needed each year does not present a complete picture of the expenditure impacts on the state's long-term budget. Over the entire three-year period, over 68 percent of the new General Revenue funding must be recurring to support the ongoing nature of the expenditure. Those recurring expenditures accumulate, or stack on top of each other, in the subsequent years. Of the \$4.9 billion needed for the budget drivers in Fiscal Year 2024-25, \$2.6 billion will also be needed in Fiscal Year 2025-26 (and again in Fiscal Year 2026-27) to continue those programs. In effect, the \$14.9 billion in new funding over the Outlook period ultimately results in \$22.8 billion in additional costs over the forecast period. Both effects are accounted for in the Outlook and are illustrated in the table on the following page.

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	

Note: totals may not add due to rounding.

On the following pages, the Critical Needs and Other High Priority Needs budget drivers with the largest General Revenue needs are discussed, and all of the drivers are listed in a table format, along with a brief description of the assumptions behind the projections.

Critical Needs

Within Critical Needs, the most significant General Revenue budget drivers across the three years of the Outlook are in the Pre K-12 Education, Human Services, and Administered Funds and Statewide Issues policy areas. The four largest General Revenue budget drivers are shown in the following table.

General Revenue Fund Significant Critical Needs Budget Drivers (\$Millions)	Fiscal Year 2024-25	Fiscal Year 2025-26	Fiscal Year 2026-27	Three- Year Total
Driver #2 – Workload and Enrollment - Florida Education Finance Program	992.9	799.9	580.1	2,372.9
Driver #6 – Medicaid Program	242.2	729.2	354.3	1,325.7
Driver #12 – State Match for Federal Emergency Management Agency (FEMA) Funding	306.0	178.8	97.2	582.1
Driver #14 – Increases in Employer-Paid Benefits for State Employees	338.1	327.0	333.3	998.4
Grand Total	1,879.2	2,034.8	1,365.0	5,279.0

Note: totals may not add due to rounding.

Workload and Enrollment – Florida Education Finance Program

The Florida Education Finance Program (FEFP) is the state’s funding model that is aligned with the state’s school choice policy and appropriates funding to school districts for K-12 public school operations, including charter schools, and Family Empowerment Scholarship students. The FEFP is composed of state and local funds and considers various factors such as the individual educational needs of students, the local property tax base, the costs of educational programs, and a comparable wage factor. The FEFP is

forecasted to serve nearly 3.1 million students in Fiscal Year 2023-24, including both public school students and Family Empowerment Scholarship students.

Within the Outlook, Critical Needs funding is provided in Driver #2 to fund projected enrollment growth; increase the total funds per full-time-equivalent (FTE) student; and maintain the prior year millage rate for the Required Local Effort (RLE). Over the three-year forecast period, enrollment for funding purposes is estimated to increase by 131,323.44 FTE over the Fiscal Year 2023-24 FEFP 2nd Calculation,¹ as adopted by the Education Estimating Conference in August 2023.² This forecasted increase includes the estimated number of students counted in the FEFP through the receipt of Family Empowerment Scholarships. The Outlook includes a total funds per FTE student increase of 3.45 percent annually to reflect historical funding trends. State funding projections are based on maintaining the prior year RLE millage rate of 3.189 mills, thus allowing the RLE to increase by its full value, and maintaining the nonvoted discretionary millage of 0.748 mills; both are consistent with the policy adopted by the Legislature for Fiscal Year 2023-24. The tax rolls for Fiscal Years 2024-25 through 2026-27, as projected by the Revenue Estimating Conference in August 2023, provide increased taxable value, which offsets the amount of state funding needed throughout the three-year forecast period.³ The following table shows the calculations used to develop the FEFP state funding projections.

Florida Education Finance Program⁴	Fiscal Year 2024-25	Fiscal Year 2025-26	Fiscal Year 2026-27
FTE Student Enrollment Growth	51,021.48	51,052.37	29,249.59
Total Funds per FTE Student Increased by Three-Year Average	\$8,966.69	\$9,276.05	\$9,596.07
Enrollment Growth Funding	\$442.2 million	\$442.5 million	\$253.5 million
Total Funds per FTE Student Increase Funding	\$940.8 million	\$1,004.3 million	\$1,050.3 million
State Funding Offset for Total Local Funds Increase	(\$390.1) million	(\$646.9) million	(\$723.8) million
State Funds Included in Driver #2	\$992.9 million	\$799.9 million	\$580.1 million

Note: totals may not add due to rounding.

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 29.1 percent of the total state budget, and is also the largest source of federal funding for the state.

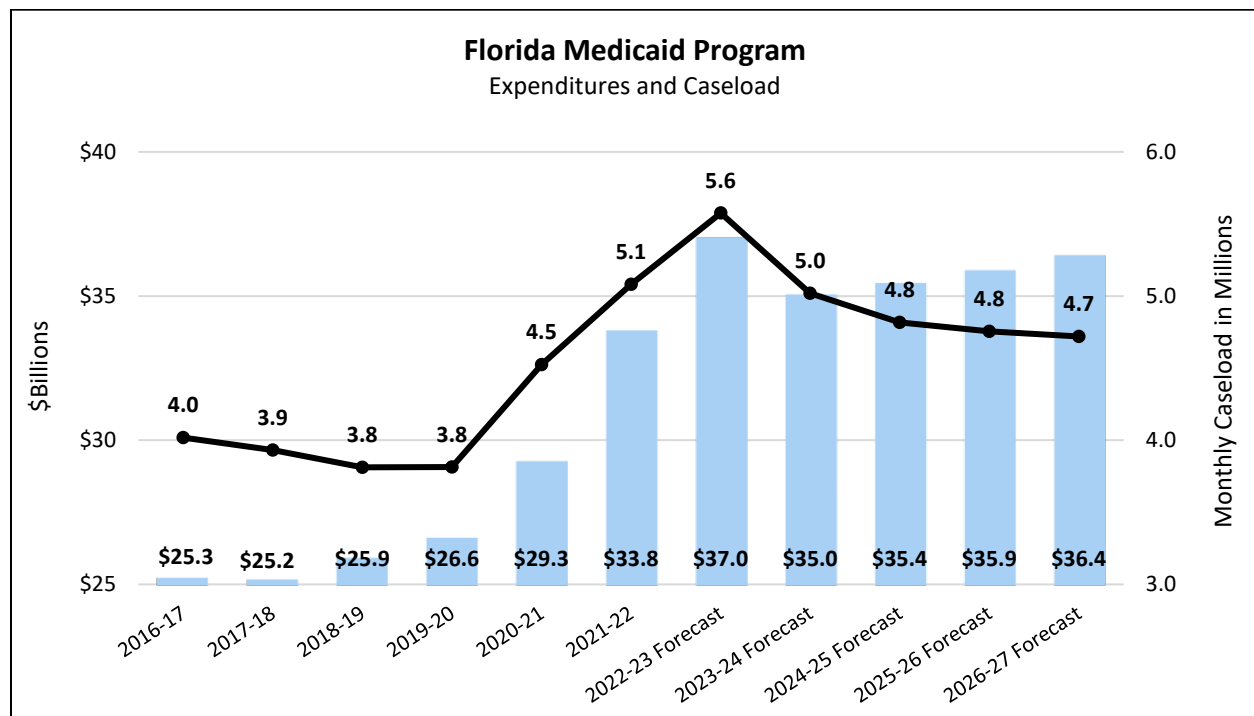
¹ The 2023-24 FEFP Second Calculation is available at <https://www.fldoe.org/core/fileparse.php/7507/urlt/2324FEFP2ndCalc.pdf>

² The forecast for full-time student membership is available at <http://edr.state.fl.us/Content/conferences/publicschools/index.cfm>.

³ The forecast for Ad Valorem assessments is available at <http://edr.state.fl.us/Content/conferences/advalorem/index.cfm>.

⁴ The enrollment growth and increase in total funds per FTE student are calculated based on the Fiscal Year 2023-24 FEFP 2nd calculation, which includes total enrollment of 3,095,082.45 FTE and total funds per student of \$8,667.66 per FTE.

Within the Outlook, Critical Needs funding is provided in Driver #6 to fund caseloads and expenditures as projected by the Social Services Estimating Conferences held in July and August 2023.⁵ The Consolidated Appropriations Act of 2023 decoupled the Medicaid continuous enrollment provision from the federal COVID-19 Public Health Emergency (PHE) effective March 31, 2023. As a result, Florida began performing Medicaid redeterminations in April 2023. Medicaid enrollment is expected to decrease by 556,240 to approximately 5.0 million beneficiaries in Fiscal Year 2023-24, a decrease of 10.0 percent below Fiscal Year 2022-23. The caseload estimate still remains well above the pre-pandemic peak of 4.0 million beneficiaries in Fiscal Year 2016-17. Caseloads are expected to continue declining each year of the forecast, decreasing by 298,938 beneficiaries (6.0 percent) over the three-year period. Despite the expected decline, caseloads are projected to remain significantly higher than the pre-pandemic peak throughout the three-year forecast period.



In Fiscal Year 2023-24, Medicaid service expenditures are expected to be \$35.0 billion. Total Medicaid expenditures for Fiscal Year 2024-25 are expected to be \$35.4 billion, an increase of \$916.0 million above the recurring base budget. The Outlook includes an increase in recurring General Revenue funds of \$211.8 million to meet the state’s share of the total need in Fiscal Year 2024-25. The federal PHE provided an additional 6.2 percentage point increase to the Federal Medical Assistance Percentage (FMAP) that continued while the PHE was in place. Upon the decoupling of the Medicaid continuous enrollment provision, the enhanced FMAP of 6.2 percent began phasing down in April 2023 and will return to the standard FMAP percentage in January 2024. While the Social Services Estimating Conference incorporated the need for additional funding for the Agency for Health Care Administration, other state agencies will also need additional funding. The Outlook includes increases of recurring General Revenue of \$30.4 million in Fiscal Year 2024-25, \$9.9 million in Fiscal Year 2025-26, and \$8.5 million in Fiscal Year 2026-27 to fund the state’s share for these agencies. When the Medicaid state matching funds that are budgeted in other Health and Human Services departments are included, the recurring General Revenue needs are approximately \$242.2 million in Fiscal Year 2024-25, \$729.2 million in Fiscal Year 2025-26, and \$354.3

⁵ The forecast for Medicaid is available at <http://edr.state.fl.us/Content/conferences/medicaid/index.cfm>.

million in Fiscal Year 2026-27. As described earlier in this document, the General Revenue funding need for Fiscal Year 2024-25 is reduced significantly by using one-time trust fund cash balances.

State Match for Federal Emergency Management Agency Funding - State Disaster Funding (Declared Disasters)

When a federal disaster declaration is issued, the federal government often provides funds in the form of reimbursements and grants for emergency response activities, repairing damage, and protecting areas from future potential disasters. Florida is generally required to provide up to 25 percent of the total cost of the grant as state match, depending on the size and severity of the event. The amount of General Revenue funds required in any given year is dependent on the number and severity of prior disasters, the federally required percentage of state match, and the timing of the required match. This driver includes funding for the state match for hurricanes and other natural disasters or emergencies.

Within the Outlook, Critical Needs funding is provided in Driver #12 to meet the outstanding state obligation for all open federally declared disasters. Based on the most recent quarterly estimate from the Division of Emergency Management, the Outlook includes nonrecurring General Revenue funds of \$306.0 million in Fiscal Year 2024-25, \$178.8 million in Fiscal Year 2025-26, and \$97.2 million in Fiscal Year 2026-27. The Outlook does not contemplate any cost estimates for natural disasters or other declared emergencies yet to occur or for which damage assessments are ongoing and have not been completed as of the date this Outlook was prepared.

Increases in Employer-Paid Benefits for State Employees

Health Insurance – The State Group Health Insurance Program is a \$3.3 billion program that provides health insurance for approximately 343,000 state and university employees, retirees, and their families. The total expenses associated with the program are expected to increase by \$279.1 million in Fiscal Year 2024-25, \$265.7 million in Fiscal Year 2025-26, and \$281.5 million in Fiscal Year 2026-27, as projected by the August 2023 Self-Insurance Estimating Conference. The State Employees’ Health Insurance Trust Fund (health insurance trust fund) is projected to have a surplus of \$313.0 million at the end of Fiscal Year 2023-24. However, due to the rising projected expenditures and relatively stable estimated revenues, the health insurance trust fund has estimated deficits of \$348.5 million in Fiscal Year 2024-25, \$910.3 million in Fiscal Year 2025-26, and \$1,174.6 million in Fiscal Year 2026-27.⁶

In recent years the Legislature has implemented different funding policies in the General Appropriations Act to address the need for additional revenue in the health insurance trust fund. In Fiscal Year 2020-21, employer-paid premiums were increased by 6.5 percent. In Fiscal Year 2021-22, no changes to premiums or additional funding was provided. In Fiscal Year 2022-23 and Fiscal Year 2023-24, nonrecurring transfers of \$200 million from the General Revenue Fund were authorized, while premiums remained unchanged. Additionally, in Fiscal Year 2023-24, the Legislature required state agencies to pay an administrative health insurance assessment for vacant positions and required General Revenue funding for state employee salaries and benefits that reverted at the end of Fiscal Year 2022-23 to be transferred to the health insurance trust fund.⁷

Similar to the 2022 Outlook, funds are included in Driver #14 based on applying a 6.5 percent increase to employer-paid premiums, as well as a \$200 million transfer from the General Revenue Fund each year of

⁶ The forecast for the State Employees’ Health Insurance Trust Fund is available at <http://edr.state.fl.us/Content/conferences/healthinsurance/index.cfm>.

⁷ Sec. 8(3)(b) and 238, Ch. 2023-239, L.O.F., and sec. 73, Ch. 2023-240, L.O.F. For Fiscal Year 2023-24, the estimated revenue is \$78.3 million from the administrative health insurance assessment and \$112.3 million from the reverted salaries and benefits funds.

the forecast. This results in the following amounts from both General Revenue and trust funds included in this driver: \$288.0 million for Fiscal Year 2024-25; \$356.5 million for Fiscal Year 2025-26; and \$366.7 million for Fiscal Year 2026-27. Despite these increases, the projected revenues are insufficient to offset the estimated deficits in the health insurance trust fund. Consequently, the Outlook includes an additional one-time transfer of \$53.4 million from the General Revenue Fund to the health insurance trust fund in Fiscal Year 2024-25 to clear the projected deficit in the first year of the Outlook. For years two and three of the Outlook, however, the health insurance trust fund would likely retain significant projected deficits if estimated expenditure growth is realized and no further revenue enhancements or cost containment measures are undertaken by the Legislature.

In the 2022 Session, the Legislature approved two actions that could significantly impact out-year projections but remain pending issues at the time of this Outlook. First, the Legislature directed the Department of Management Services (DMS) to contract for a comprehensive cost containment analysis of the State Group Health Insurance Program to be completed in January 2023.⁸ The analysis was timely provided by DMS and remains under review by the Legislature. Second, the Legislature required the Department to release competitive procurements for preferred provider organization plans, health maintenance organization services, and pharmacy benefits manager services to become effective January 1, 2024.⁹ Updated expenditure estimates based on the competitive procurements were not available at the time of this Outlook.

Florida Retirement System (FRS) – 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 needed. The results of the 2023 FRS Actuarial Assumption Conference and the Fiscal Year 2022-23 Annual Actuarial Valuation were not available when this Outlook was prepared. Therefore, the Outlook assumes a three-year average of the increase in appropriations made to fund the actuarially calculated contribution rates. Within the Outlook, Critical Needs funding of approximately \$30.3 million from the General Revenue Fund and \$21.0 million from trust funds is provided each year of the three-year forecast period.

⁸ Specific Appropriation 2849, Fiscal Year 2022-23 General Appropriations Act (Ch. 2022-156, L.O.F.)

⁹ Sec. 83, Ch. 2022-157, L.O.F.

Critical Needs Driver Number and Title		FY 2024-25		FY 2025-26		FY 2026-27		Driver Description and Assumptions
		Total GR	Total Major TF	Total GR	Total Major TF	Total GR	Total Major TF	
PRE K - 12 EDUCATION								
#1	Maintain Current Budget - Florida Education Finance Program	(269.9)	269.9	18.3	(18.3)	(0.7)	0.7	Driver #1 maximizes the use of state trust funds prior to using General Revenue to fund the Florida Education Finance Program. Adjustments are made to the General Revenue Fund, the Educational Enhancement Trust Fund, and the State School Trust Fund based on projected balances forward and revenue changes in the trust funds over the three-year forecast period, as adopted by the August 2023 Revenue Estimating Conference. ¹⁰
#2	Workload and Enrollment - Florida Education Finance Program	992.9	0.0	799.9	0.0	580.1	0.0	Driver #2 funds enrollment growth of 131,323.44 full-time-equivalent students over the three-year forecast period, as compared to the Fiscal Year 2023-24 FEFP 2 nd calculation. The forecast includes both public school students and Family Empowerment Scholarship students as projected by the August 2023 Education Estimating Conference. The driver also increases the total funds per student based on a three-year average increase of 3.45 percent. State funding projections are based on maintaining the prior year millage rate for the Required Local Effort at 3.189 mills and maintaining the nonvoted discretionary millage of 0.748 mills; both are consistent with the policy adopted by the Legislature for Fiscal Year 2023-24. The program is expected to serve 3.1 million students in Fiscal Year 2023-24.

Table continues on the following page.

¹⁰ The Financial Outlook Statements are available for the Educational Enhancement Trust Fund at <http://edr.state.fl.us/Content/revenues/outlook-statements/educational-enhancement-tf/index.cfm> and the State School Trust Fund at <http://edr.state.fl.us/Content/revenues/outlook-statements/state-school-tf/index.cfm>.

Critical Needs Driver Number and Title	FY 2024-25		FY 2025-26		FY 2026-27		Driver Description and Assumptions
	Total GR	Total Major TF	Total GR	Total Major TF	Total GR	Total Major TF	
#3 Workload and Enrollment - Voluntary Prekindergarten Education Program	(3.9)	0.0	(4.4)	0.0	27.0	0.0	Driver #3 adjusts funding to reflect the forecast adopted by the August 2023 Early Learning Programs Estimating Conference. ¹¹ Enrollment is projected to increase by 5,459.09 FTE over the three-year period. Funding per student is maintained at the Fiscal Year 2023-24 base student allocation amount of \$2,941 for the school year program and \$2,511 for the summer program. The program is expected to serve 140,511.67 students in Fiscal Year 2023-24.
HIGHER EDUCATION							
#4 Workload and Enrollment - Bright Futures and Children and Spouses of Deceased/ Disabled Veterans	2.7	12.0	2.1	11.3	2.8	12.8	Driver #4 funds changes in the number of eligible recipients, as projected by the August 2023 Education Estimating Conference. ¹² Over the three-year period, there are projected to be 5,908 additional eligible students for a Bright Futures award and 1,528 additional eligible students for a Children and Spouses of Deceased/ Disabled Veterans (CSDDV) award. In Fiscal Year 2023-24, there are projected to be 122,146 Bright Futures awards and 4,041 CSDDV awards.
#5 Educational Enhancement Trust Fund Adjustment	51.1	(51.1)	(11.1)	11.1	(8.2)	8.2	Driver #5 maximizes the use of state trust funds prior to using General Revenue to fund higher education programs. Adjustments are made to the General Revenue Fund and the Educational Enhancement Trust Fund based on projected balances forward and revenue changes in the trust funds over the three-year forecast period, as adopted by the August 2023 Revenue Estimating Conference. ¹³

¹¹ The forecast for the Voluntary Prekindergarten Education Program is available at <http://edr.state.fl.us/Content/conferences/vpk/index.cfm>.

¹² The forecast for Postsecondary Student Financial Aid Programs is available at <http://edr.state.fl.us/Content/conferences/financialaid/index.cfm>.

¹³ The Financial Outlook Statements are available for the Educational Enhancement Trust Fund at <http://edr.state.fl.us/Content/revenues/outlook-statements/educational-enhancement-tf/index.cfm> and the State School Trust Fund at <http://edr.state.fl.us/Content/revenues/outlook-statements/state-school-tf/index.cfm>.

Critical Needs Driver Number and Title	FY 2024-25		FY 2025-26		FY 2026-27		Driver Description and Assumptions
	Total GR	Total Major TF	Total GR	Total Major TF	Total GR	Total Major TF	
HUMAN SERVICES							
#6 Medicaid Program	242.2	673.9	729.2	(289.0)	354.3	176.1	Driver #6 funds the caseload and expenditures estimates adopted by the July and August 2023 Social Services Estimating Conferences. ¹⁴ Caseloads are expected to be 4.81 million in Fiscal Year 2024-25; 4.75 million in Fiscal Year 2025-26; and 4.72 million in Fiscal Year 2026-27. The program is expected to serve 5.02 million eligible Floridians in Fiscal Year 2023-24. The estimated costs for caseload, service utilization, Federal Medical Assistance Percentage, and medical inflation are projected based on historical trends and other forecasting methodologies.
#7 Kidcare Program	79.0	153.6	33.2	67.6	24.3	52.6	Driver #7 funds the caseload and expenditures estimates adopted by the July and August 2023 Social Services Estimating Conferences. ¹⁵ June 30 caseloads are projected to be 249,708 in 2025; 268,773 in 2026; and 280,292 in 2027. The program is expected to serve 230,708 eligible children in 2024. The estimated costs for caseload, service utilization, Federal Medical Assistance Percentage, and medical inflation are projected based on historical trends and other forecasting methodologies.
#8 Temporary Assistance for Needy Families Cash Assistance	(3.0)	0.0	(13.9)	0.0	(15.2)	0.0	Driver #8 funds the caseload and expenditure estimates adopted by the July 2023 Social Services Estimating Conference. ¹⁶ Caseloads are projected to decrease by 9,926 over the three-year period. The program is expected to serve 37,188 eligible cases during Fiscal Year 2023-24.

¹⁴ The forecast for Medicaid is available at <http://edr.state.fl.us/Content/conferences/medicaid/index.cfm>.

¹⁵ The forecast for Kidcare is available at <http://edr.state.fl.us/Content/conferences/kidcare/index.cfm>.

¹⁶ The forecast for Temporary Assistance for Needy Families Cash Assistance is available at <http://edr.state.fl.us/Content/conferences/tanf/index.cfm>.

Critical Needs Driver Number and Title	FY 2024-25		FY 2025-26		FY 2026-27		Driver Description and Assumptions
	Total GR	Total Major TF	Total GR	Total Major TF	Total GR	Total Major TF	
#9 Tobacco Awareness Education Program	0.0	3.6	0.0	2.4	0.0	2.3	Driver #9 provides the constitutionally-required levels of funding for the tobacco education and prevention program. The amounts are based on the calculated constitutional funding requirements as shown on the Tobacco Settlement Trust Fund Financial Outlook Statement. The calculation uses the Consumer Price Index adopted by the July 2023 National Economic Estimating Conference. ¹⁷
GENERAL GOVERNMENT							
#10 Non-Florida Retirement System (FRS) Pensions and Benefits	0.05	0.0	0.2	0.0	0.2	0.0	Driver #10 provides funds for the non-FRS pension and benefit programs based on estimates provided by the Division of Retirement. Funding is provided for the Florida National Guard and is based upon changes to the federal military pay scales, cost-of-living adjustments to federal retirement benefits, and growth in the number of participants.
#11 Fiscally Constrained Counties - Property Tax	71.9	0.0	63.7	0.0	60.4	0.0	Driver #11 funds the estimates adopted by the August 2023 Revenue Estimating Conference to offset reductions in ad valorem tax revenue in fiscally constrained counties that resulted from constitutional amendments approved in 2008. ¹⁸

Table continues on the following page.

¹⁷ The forecast of the National Economic Estimating Conference is available at <http://edr.state.fl.us/Content/conferences/useconomic/index.cfm>.

¹⁸ The forecast for Fiscally Constrained Counties is available at <http://edr.state.fl.us/Content/conferences/advalorem/FiscallyConstrainedCountiesTable.pdf>. See also sections 218.12 and 218.125, Florida Statutes.

Critical Needs Driver Number and Title	FY 2024-25		FY 2025-26		FY 2026-27		Driver Description and Assumptions
	Total GR	Total Major TF	Total GR	Total Major TF	Total GR	Total Major TF	
ADMINISTERED FUNDS AND STATEWIDE ISSUES¹⁹							
#12 State Match for Federal Emergency Management Agency Funding - State Disaster Funding (Declared Disasters)	306.0	0.0	178.8	0.0	97.2	0.0	Driver #12 funds the state matching requirement for all open federally declared disasters and is based on the most recent quarterly estimate from the Division of Emergency Management. The state match covers previous hurricanes and other natural disasters or other emergencies. These amounts do not contemplate any cost estimates for emergencies yet to occur or for which damage assessments are ongoing.
#13 Division of Administrative Hearings Assessments	0.3	0.0	0.3	0.0	0.3	0.0	Driver #13 provides funding to support the Division's operations based on the three-year average of actual appropriations. Agencies pay assessments with trust funds, General Revenue, or a blend of both funding sources.

Table continues on the following page.

¹⁹ The 2022 Outlook included a Critical Needs budget driver for Risk Management Insurance to resolve expected shortfalls in the State Risk Management Trust Fund. The Fiscal Year 2023-24 General Appropriations Act transfers \$70 million from the General Revenue Fund to the trust fund and provides \$24 million in recurring funding to resolve deficits resulting from Hurricanes Ian and Nicole, as well as other insurance claims. The Self-Insurance Estimating Conference held in August 2023 projects positive ending balances in the trust fund for each year of the Outlook; therefore, no additional funds are provided.

Critical Needs Driver Number and Title	FY 2024-25		FY 2025-26		FY 2026-27		Driver Description and Assumptions
	Total GR	Total Major TF	Total GR	Total Major TF	Total GR	Total Major TF	
#14 Increases in Employer-Paid Benefits for State Employees	338.1	54.7	327.0	80.8	333.3	84.7	Driver #14 funds increases for the state employee health insurance program and the Florida Retirement System (FRS). For the insurance program, ²⁰ funds are included by applying the two recent funding policies for this program for each year of the Outlook. This includes a 6.5 percent increase to employer-paid premiums and a \$200 million transfer from the General Revenue Fund. For Fiscal Year 2024-25, an additional transfer of \$53.4 million is included to offset the projected deficit in the State Employees' Health Insurance Trust Fund. Funds are also included to fund the normal cost and amortization of unfunded actuarial liabilities of the FRS based on a three-year average increase of appropriations. The historical average is used because the results of the 2023 FRS Actuarial Assumption Conference and the Fiscal Year 2022-23 Annual Actuarial Valuation were not available at the time of this Outlook. ²¹
Total Critical Needs	1,807.3	1,116.6	2,123.3	(134.2)	1,455.8	337.4	

²⁰ The forecast for the State Employees' Health Insurance Trust Fund is available at <http://edr.state.fl.us/Content/conferences/healthinsurance/index.cfm>.

²¹ The results of the most recent Actuarial Assumption Conference are available at <http://edr.state.fl.us/Content/conferences/actuarial/index.cfm>. This Conference is held annually in the fall.

Other High Priority Needs

While the Critical Needs expenditure projections are largely associated with the results of estimating conferences, the projections for Other High Priority Needs generally reflect the Legislature’s most recent budget decisions and funding priorities. In this year’s Outlook, the largest General Revenue Other High Priority Needs drivers are in the Natural Resources, Higher Education, Human Services, and Transportation and Economic Development policy areas as shown in the following table.

General Revenue Fund Significant Other High Priority Needs By Policy Area (\$Millions)	Fiscal Year 2024-25	Fiscal Year 2025-26	Fiscal Year 2026-27	Three-Year Total
Natural Resources – Driver #s 37,38	878.6	1,006.1	1,006.7	2,891.4
Higher Education – Driver #s 16-20	713.6	725.5	728.3	2,167.4
Human Services – Driver #s 21-27	485.0	485.0	485.0	1,455.0
Transportation and Economic Development – Driver #s 33-36	479.6	477.9	479.6	1,437.1
Grand Total	2,556.7	2,694.6	2,699.6	7,950.9

Note: totals may not add due to rounding.

Natural Resources – Other High Priority Needs

The policy area with the greatest Other High Priority Needs, totaling nearly \$2.9 billion over the Outlook period, is related to Florida’s natural resources and includes two budget drivers: Water and Land Conservation (Driver #37) and Other Agricultural and Environmental Programs (Driver #38). The funding projections for these two drivers are primarily based on the projected balances and expected revenues in the Land Acquisition Trust Fund (LATF), as well as three-year averages of appropriations. Based on the August 2023 Revenue Estimating Conference results, the revenue to be distributed to the LATF over the three years of the Outlook is estimated to be \$1,208.1 million for Fiscal Year 2024-25; \$1,260.1 million for Fiscal Year 2025-26; and \$1,300.7 million for Fiscal Year 2026-27.²² The Outlook assumes a reserve within the LATF similar to reserves established for the other trust funds included in the Outlook.

For the Water and Land Conservation budget driver, the Outlook includes \$324.5 million in General Revenue funds for Fiscal Year 2024-25 and \$436.4 million in Fiscal Years 2025-26 and 2026-27. The General Revenue need is lower in the first year of the Outlook because of prior year carry forward balances and increased revenue projections in the LATF. The components included in the calculation of this driver are the Florida Forever land acquisition programs; Everglades Restoration; Land Management; Lake Apopka Restoration; various Water Quality Improvement Programs; Total Maximum Daily Loads; Nonpoint Source Pollution Prevention; Innovative Technologies to combat or cleanup harmful algal blooms and provide grants for red tide response; Water Quality Enhancements and Accountability, including water quality monitoring, development and maintenance of the water quality information portal, and support for the Blue-Green Algae Task Force; Alternative Water Supply; and Beach Restoration.

²² The forecast for Documentary Stamp Tax collections and distributions is available at <http://edr.state.fl.us/Content/conferences/docstamp/index.cfm>.

For the Other Agriculture and Environmental Programs budget driver, the Outlook includes recurring General Revenue funds of \$6.3 million in each year of the forecast period, as well as nonrecurring General Revenue funds of \$547.8 million in Fiscal Year 2024-25, \$563.4 million in Fiscal Year 2025-26, and \$564.0 million in Fiscal Year 2026-27. The initiatives included in the calculation of this driver are the following: Water Projects; state match for Drinking Water and Wastewater Revolving Loan Programs; Florida Keys Area of Critical State Concern; Resilient Florida Program; Coastal Resiliency; Agricultural Programs, including Florida Forest Service equipment, the Florida Agricultural Promotion Campaign, Farm Share and Food Banks, aircraft acquisition and maintenance, Agriculture Education and Promotion Facilities, the Florida State Fair, Citrus Research, Citrus Recovery, and the transfer of General Revenue funding to the Agricultural Emergency Eradication Trust Fund; and Fish and Wildlife Conservation Programs, including vehicles and vessels replacement, aircraft acquisition and maintenance, artificial reef construction, red tide research, derelict vessels removal, and nonnative species management.

Higher Education – Other High Priority Needs

The Outlook includes almost \$2.2 billion over the Outlook period for Other High Priority Needs in Higher Education. The Outlook includes the annual restoration of \$265 million in nonrecurring General Revenue funds that were provided in Fiscal Year 2023-24 as performance-based funding for the State University System (Driver #16). Although these funds historically have been provided from recurring General Revenue, the Legislature appropriated the funds as nonrecurring in Fiscal Years 2021-22 through 2023-24. The Outlook does not assume the funds will be provided specifically for performance-based funding—the policy regarding the uses of any appropriated funds will be determined by the Legislature.

The Outlook also includes workload funding for Florida’s public higher education delivery systems based on the three-year average increase of appropriations for each system, excluding funded appropriations projects. Specifically, for each forecasted year, the Outlook includes \$18.1 million for school district workforce education programs (Driver #17), \$120.4 million for Florida College System institutions (Driver #18), and \$322.6 million for State University System Education and General Activities (E&G) and the Institute for Food and Agricultural Sciences (IFAS) (Driver #19). Additionally, this policy area includes funding adjustments for students estimated to be eligible for the Effective Access to Student Education (EASE) grant program and Benacquisto Scholarship program (Driver #20).²³

Human Services – Other High Priority Needs

The Outlook includes nearly \$1.5 billion over the forecast period for Other High Priority Needs associated with health and human services provided to Florida’s families. The most significant budget driver in this policy area is Children and Family Services (Driver #22), totaling \$668.1 million in General Revenue funding over the Outlook period. This driver includes funding for Community-Based Care lead agencies core services operations to keep families together and safe; child welfare initiatives aimed at reducing the number of children in out of home care; adoption maintenance subsidies to families that adopt a child from the child welfare system; resources for foster families to support the care of foster children; and funding needs resulting from recent federal changes. Funding is also included for mental health and substance abuse services provided through community providers with a focus on Opioid crisis response; mental health treatment facility needs and operating contracts; and forensic treatment beds.

The Outlook also includes General Revenue and federal matching funds to assist individuals on the waiting list for home and community-based services for persons with intellectual and developmental disabilities

²³ The forecasts for each financial assistance program are available at <http://edr.state.fl.us/Content/conferences/financialaid/index.cfm>

(Driver #24). These funds are provided to ensure those most vulnerable can live productive and fulfilling lives in their community. Additionally, this policy area includes funding based on three-year averages for Medicaid provider rate increases, public health programs, Veterans' services, services for the elderly, and information technology (Driver #s 21, 23, 25-27).

Transportation and Economic Development – Other High Priority Needs

Finally, more than \$1.4 billion in General Revenue funding is provided over the Outlook period for Other High Priority Needs related to transportation infrastructure and economic development programs. The most significant budget driver in this policy area is the Department of Transportation Adopted Work Program and Local Transportation Projects (Driver #33), totaling \$899.4 million from the General Revenue Fund over the three-year forecast period. Although the Adopted Work Program is primarily funded with state and federal trust funds, the Legislature has appropriated significant amounts of General Revenue funding for local transportation projects in both Fiscal Year 2022-23 and Fiscal Year 2023-24. This driver includes \$299.8 million each year from the General Revenue Fund for local transportation projects based on the three-year average of appropriations.

Additionally, the Outlook includes General Revenue funding based on three-year averages for economic development and workforce programs (Driver #34); National Guard armories, military affairs, and Florida State Guard priorities (Driver #35); and library, cultural, historical, and election priorities (Driver #36).

Other High Priority Needs Driver Number and Title	FY 2024-25		FY 2025-26		FY 2026-27		Driver Description and Assumptions
	Total GR	Total Major TF	Total GR	Total Major TF	Total GR	Total Major TF	
PRE K - 12 EDUCATION							
#15 Workload and Enrollment - Other Pre K-12 Programs	48.1	0.0	49.0	0.0	55.9	0.0	Driver #15 provides funding for: the Florida School for the Deaf and the Blind based on the three-year average increase of appropriations; the VPK program based on the amount of additional funds over workload needed to achieve a 5.9 percent three-year average increase in the VPK base student allocation; and the VPK CLASS assessments, regional literacy teams, and micro-credential and reading endorsements which are all established in statute and funded, in part, with nonrecurring funds in Fiscal Year 2023-24.
HIGHER EDUCATION							
#16 Maintain Current Budget - Higher Education	265.0	0.0	265.0	0.0	265.0	0.0	Driver #16 provides nonrecurring funds each year to continue nonrecurring funds provided in Fiscal Year 2023-24 for State University System Performance funding.
#17 Workload - District Workforce	18.1	0.0	18.1	0.0	18.1	0.0	Driver #17 funds increases for school district workforce education programs based on the three-year average increase of appropriations, excluding funded appropriations projects.
#18 Workload - Florida Colleges	120.4	0.0	120.4	0.0	120.4	0.0	Driver #18 funds increases for the Florida College System institutions based on the three-year average increase of appropriations, excluding funded appropriations projects.
#19 Workload - State Universities	322.6	0.0	322.6	0.0	322.6	0.0	Driver #19 funds increases to State University Education and General Activities (E&G) and the Institute for Food and Agricultural Sciences (IFAS) based on the three-year average increase of appropriations, excluding funded appropriations projects.

Table continues on the following page.

Other High Priority Needs Driver Number and Title	FY 2024-25		FY 2025-26		FY 2026-27		Driver Description and Assumptions
	Total GR	Total Major TF	Total GR	Total Major TF	Total GR	Total Major TF	
#20 Workload and Adjustments - Other Higher Education Programs	(12.5)	0.0	(0.5)	0.0	2.3	0.0	Driver #20 addresses the number of eligible recipients, as projected by the August 2023 Education Estimating Conference, ²⁴ for the Effective Access to Student Education (EASE) grant program and the Benacquisto Scholarship program. Over the three-year period, there are projected to be 775 fewer eligible students for an EASE grant and 127 fewer eligible students for a Benacquisto Scholarship. In Fiscal Year 2023-24, there are projected to be 35,293 EASE grants and 1,959 Benacquisto Scholarships.
HUMAN SERVICES							
#21 Medicaid Services	131.1	194.7	131.1	194.7	131.1	194.7	Driver #21 provides additional funding for Medicaid Waiver slots for the elderly and for Medicaid provider rate increases based on the three-year average of appropriations.
#22 Children and Family Services	222.7	266.7	222.7	266.7	222.7	266.7	Driver #22 uses three-year averages of appropriations to determine funding needs for the anticipated growth of the following issues: maintenance adoption subsidies; Community-Based Care lead agencies that provide child welfare services; child abuse investigations conducted by the department; foster care room and board rates; state mental health treatment facility needs and operating contracts; substance abuse and opioid misuse prevention; mental health services administered through community-based providers; forensic treatment beds; funding needs resulting from recent federal changes; and personnel resources to assist individuals with public assistance eligibility determination.

²⁴ The forecasts for each financial assistance program are available at <http://edr.state.fl.us/Content/conferences/financialaid/index.cfm>.

Other High Priority Needs Driver Number and Title	FY 2024-25		FY 2025-26		FY 2026-27		Driver Description and Assumptions
	Total GR	Total Major TF	Total GR	Total Major TF	Total GR	Total Major TF	
#23 Health Services	50.0	22.2	50.0	22.2	50.0	22.2	Driver #23 provides additional funding for the Early Steps program, the Office of Medical Marijuana Use, Florida Poison Control Centers, Child Protection Teams, Medical Quality Assurance services, Minority Health Initiatives, Biomedical Research, and Health Care Loan Repayment Programs based on three-year averages of appropriations.
#24 Developmental Disabilities	36.7	54.8	36.7	54.8	36.7	54.8	Driver #24 uses three-year averages of appropriations to determine funding needs for reducing the waitlist for Developmental Disabilities Waiver services, additional client needs, additional administrative resources to manage growth in Waiver services, replacement of motor vehicles, agency-nursing contracts, and rate increases for Medicaid Waiver providers.
#25 Veterans' Services	4.9	1.4	4.9	1.4	4.9	1.4	Driver #25 provides funding for Florida is for Veterans, Inc., for the Entrepreneurship Program and the Veterans Workforce Training Grant Program, veterans' home resident equipment, and routine maintenance and repair at the State Veteran Nursing Homes. The amounts are based on three-year averages of appropriations.
#26 Elderly Services	18.5	0.1	18.5	0.1	18.5	0.1	Driver #26 provides funding for reducing the waitlists for the Community Care for the Elderly program, the Home Care for the Elderly program, and to provide respite services for the Alzheimer's clients based on the three-year averages of appropriations. Funding is also included for the Public Guardianship program and the Aging Resource Centers based on three-year averages of appropriations.

Table continues on the following page.

Other High Priority Needs Driver Number and Title	FY 2024-25		FY 2025-26		FY 2026-27		Driver Description and Assumptions
	Total GR	Total Major TF	Total GR	Total Major TF	Total GR	Total Major TF	
#27 Human Services Information Technology/ Infrastructure	21.2	129.5	21.2	129.5	21.2	129.5	Driver #27 provides funding for the completion of information technology projects within the Health and Human Services departments, including the Agency for Persons with Disabilities' Client Data Management System; the Department of Veterans' Affairs' Information Technology enhancements; the Agency for Health Care Administration's Florida Health Care Connections (FX) transition and facility regulation issues; the Department of Children and Families' initiatives to modernize the Florida System (ACCESS), Florida Safe Families Network (FSFN), and improvements to the Children's Legal Services case management system; the Department of Health's Centralized Online Reporting, Tracking, and Notification Enterprise (CORTNE) Accounting and Budgeting System; and the Department of Elder Affairs' Tracking System (eCIRTS) Project.
CRIMINAL JUSTICE AND JUDICIAL BRANCH							
#28 Justice Administration Entities	0.9	0.0	0.9	0.0	0.9	0.0	Driver #28 funds workload increases for the Justice Administration entities, including the Criminal Conflict and Civil Regional Counsels and Capital Collateral Regional Counsels. The amounts are based on three-year averages of appropriations, including supplemental appropriations.
#29 Department of Corrections Education and Training Programs	8.2	5.9	8.2	5.9	8.2	5.9	Driver #29 provides funding related to inmate and officer education and training programs. The amounts are based on the three-year average increase of appropriations.
#30 Department of Juvenile Justice Programs	6.6	0.1	6.6	0.1	6.6	0.1	Driver #30 funds community supervision and prevention programs based on the three-year average increase of appropriations.

Table continues on the following page.

Other High Priority Needs Driver Number and Title	FY 2024-25		FY 2025-26		FY 2026-27		Driver Description and Assumptions
	Total GR	Total Major TF	Total GR	Total Major TF	Total GR	Total Major TF	
#31 Other Criminal and Civil Justice Programs and Operations	26.2	12.7	26.2	12.7	26.2	12.7	Driver #31 provides funding based on the three-year average increase of appropriations for safety equipment and security cameras at correctional and juvenile justice facilities; motor vehicle fleet replacements; and information technology projects.
#32 Judicial Branch	5.4	0.0	5.4	0.0	5.4	0.0	Driver #32 provides funding for problem-solving courts and the certification of additional judgeships based on the three-year average increase of appropriations.
TRANSPORTATION AND ECONOMIC DEVELOPMENT							
#33 Department of Transportation Adopted Work Program and Local Transportation Projects	299.8	11,808.4	299.8	10,019.3	299.8	9,317.4	Driver #33 funds the list of transportation projects included in the Adopted Five Year Work Program, which uses estimates from the March 2023 Revenue Estimating Conference. ²⁵ Changes in project commitments and revenue estimates after July 1, 2023, will be incorporated into the Tentative Work Program in January 2024. Additionally, this driver provides funding for local transportation projects based on the three-year average of appropriations.
#34 Economic Development and Workforce Programs	69.5	0.0	69.5	0.0	69.5	0.0	Driver #34 provides funding for various programs and activities including the Job Growth Grant Fund and contract payments for traditional economic development programs. The amounts are based on the three-year average of appropriations for each program.

Table continues on the following page.

²⁵ The forecast for revenues flowing into the State Transportation Trust Fund is available at <http://edr.state.fl.us/Content/conferences/transportation/index.cfm>.

Other High Priority Needs Driver Number and Title	FY 2024-25		FY 2025-26		FY 2026-27		Driver Description and Assumptions
	Total GR	Total Major TF	Total GR	Total Major TF	Total GR	Total Major TF	
#35 National Guard Armories, Military Affairs, and Florida State Guard Priorities	44.8	0.0	44.8	0.0	44.8	0.0	Driver #35 provides funding based on the three-year average of appropriations for ongoing maintenance and repairs to Florida armories as well as workers' compensation claims for National Guard troops who become injured while on state active duty. Additionally, this driver provides funding for Florida State Guard resources based on the three-year average of appropriations.
#36 Library, Cultural, Historical, and Election Priorities	65.6	0.0	63.9	0.0	65.6	0.0	Driver #36 uses three-year averages of appropriations to fund a variety of programs including state aid to libraries; public library construction grants; cultural and historical grant programs; and elections costs for statewide litigation and special elections. In addition, funding is provided in Fiscal Year 2024-25 and Fiscal Year 2026-27 for advertising constitutional amendments based on the average funding in the two most recent general election years.
NATURAL RESOURCES							
#37 Water and Land Conservation	324.5	650.9	436.4	539.0	436.4	539.0	Driver #37 provides funding for a variety of conservation programs including the Florida Forever Program, Everglades Restoration, Lake Apopka, Water Quality Improvements, Alternative Water Supply, Beach Restoration, and Land Management. Funding levels are based on revenues available in the Land Acquisition Trust Fund (LATF), as projected by the August 2023 Revenue Estimating Conference, ²⁶ and three-year averages of appropriations.

²⁶ The forecast for Documentary Stamp Tax collections and distributions is available at <http://edr.state.fl.us/Content/conferences/docstamp/index.cfm>.

Other High Priority Needs Driver Number and Title	FY 2024-25		FY 2025-26		FY 2026-27		Driver Description and Assumptions
	Total GR	Total Major TF	Total GR	Total Major TF	Total GR	Total Major TF	
#38 Other Agricultural and Environmental Programs	554.1	37.8	569.7	37.8	570.3	37.8	Driver #38 uses three-year averages of appropriations to fund a variety of programs including the Resilient Florida Grant Program; Water Projects; Florida Keys Restoration Projects; Coastal Resiliency; Florida State Fair; Citrus Recovery Program; Agricultural Programs; and Fish and Wildlife Conservation Programs. This driver also provides funding for Drinking Water and Wastewater Revolving Loan Programs based on three-year projections provided by the Department of Environmental Protection.
GENERAL GOVERNMENT							
#39 Other General Government Priorities	67.9	55.0	66.8	52.8	66.5	35.9	Driver #39 provides cybersecurity funding through the Department of Management Services for state agencies and local governments based on the three-year average of appropriations. Funding is also provided for the Statewide Law Enforcement Radio System, as estimated by the Department of Management Services, as well as contract costs for the Florida Accounting Information Resource replacement as estimated by the Department of Financial Services. In addition, funding is provided for aerial photography for small counties based on estimates from the Department of Revenue.
#40 State Building Pool - General Repairs and Maintenance	41.6	17.0	41.6	17.0	41.6	17.0	Driver #40 funds general repairs and maintenance for the Florida Facilities Pool (state-owned facilities located throughout Florida) based on the three-year average of appropriations.
ADMINISTERED FUNDS AND STATEWIDE ISSUES							
#41 State Employee Pay Issues	216.8	177.0	216.8	177.0	216.8	177.0	Driver #41 provides funding for state employees pay issues based upon the three-year average funding levels for competitive pay, merit pay, and retention pay adjustments.

Other High Priority Needs Driver Number and Title	FY 2024-25		FY 2025-26		FY 2026-27		Driver Description and Assumptions
	Total GR	Total Major TF	Total GR	Total Major TF	Total GR	Total Major TF	
#42 Maintenance, Repairs, and Capital Improvements - Statewide Buildings - Critical	88.5	22.7	88.5	22.7	88.5	22.7	Driver #42 provides funding based on three-year averages of appropriations for critical maintenance and repair projects at state-owned facilities throughout the state, including health services facilities, justice and judicial branch facilities, agricultural and wildlife conservation infrastructure, transportation facilities, and highway safety facilities. Funds are also provided for life safety and ADA repairs of facilities in the Florida Facilities Pool based on the three-year average of appropriations.
Total Other High Priority Needs	3,066.9	13,457.0	3,204.5	11,553.6	3,216.2	10,834.9	

REVENUE ADJUSTMENTS

KEY POINTS

- ❖ The Outlook includes tax and fee adjustments to the General Revenue Fund totaling -\$646.5 million in Fiscal Year 2024-25; -\$781.3 million in Fiscal Year 2025-26; and -\$916.1 million in Fiscal Year 2026-27.
- ❖ The increasingly negative impact is a result of the cumulative effect of continuing the adjustments that are recurring in nature.
- ❖ These negative adjustments are partially offset by trust fund transfers to the General Revenue Fund. The Outlook assumes annual transfers of \$19.7 million.

The Outlook includes revenue adjustments to the General Revenue Fund that reflect recent legislative actions which alter the revenue-side of the state's fiscal picture. These adjustments are based on specific tax and fee changes and trust fund transfers that have occurred over the past three years, but the numbers used in the Outlook are simply representative of future levels and do not refer to specific initiatives or plans.

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 moneys between different funds or levels of government without affecting state revenue receipts. After the Legislature adjourns each year, the Revenue Estimating Conference produces a final impact for each revenue change. These impacts are compiled into the *Measures Affecting Revenues*.²⁷ The Outlook includes a three-year average of the state tax and fee changes that affect the General Revenue Fund.

Some of the impacts included in the measures are time-limited, nonrecurring changes that only affect a single year (e.g., Sales Tax holidays), while others are continuing, recurring changes that affect all future years. Because continuing changes to taxes often have delayed effective dates or other implementation issues, the effect of the changes in the first fiscal year of implementation can be less than a full year's effect. To distinguish between the two types of revenue adjustments, the tax and fee changes are grouped into two categories: continuing and time-limited. The continuing tax and fee changes are recurring adjustments to the funds that are otherwise available and build over time. The time-limited tax and fee changes are confined to each year and are held constant in the Outlook.

Typically, only a small percentage of the measures are positive. By far the greater share results in savings to the affected payers and a reduction in state revenues. The total for each fiscal year is a net number and—after averaging across the three years—is used in the Outlook to reflect the overall level of expected annual change. An exception was made to address a unique circumstance. A significant measure from the 2021 Legislative Session relates to a change that, given its nature, cannot be replicated in the future—

²⁷ <http://edr.state.fl.us/Content/revenues/reports/measures-affecting-revenues/index.cfm>

Chapter 2021-2, Laws of Florida, relating to the tax treatment of online sales. It was, and continues to be, excluded from the Fiscal Year 2021-22 data.

In each of the years used to calculate the three-year average, the largest time-limited impacts were the Business Rent Tax Rate Reduction scheduled for Fiscal Year 2023-24, the Business Licensing Fee Relief, and the various Sales Tax holidays, including items such as back-to-school clothing, supplies and computers; Energy Star appliances; disaster preparedness supplies; and natural gas ranges and cooktops. The largest continuing impacts were related to building materials used in affordable housing units; baby and toddler products, diapers and incontinence products, and oral hygiene products beginning in Fiscal Year 2023-24; the Corporate Income Tax research and experimentation amortization schedule beginning in Fiscal Year 2022-23; the creation of the New Worlds Reading Credit in Fiscal Year 2021-22; and the increase to the Moffitt Cancer Center distribution in Fiscal Year 2021-22. With the introduction each year of new tax and fee impacts that are recurring, the impacts stack as the years continue. The following table shows how the cumulative impact of the continuing items is calculated.

(\$Millions)	Fiscal Year 2024-25			Fiscal Year 2025-26			Fiscal Year 2026-27		
	Rec	NR	Total	Rec	NR	Total	Rec	NR	Total
Year 1	(134.8)	29.8	(105.0)	(134.8)	-	(134.8)	(134.8)	-	(134.8)
Year 2	-	-	-	(134.8)	29.8	(105.0)	(134.8)	-	(134.8)
Year 3	-	-	-	-	-	-	(134.8)	29.8	(105.0)
TOTAL	(134.8)	29.8	(105.0)	(269.6)	29.8	(239.8)	(404.4)	29.8	(374.6)

Note: totals may not add due to rounding.

After adding the time-limited changes, the final revenue adjustments included in the Outlook are displayed in the following table. In magnitude, the continuing tax changes are slightly more than six times as large as the adjustments used in last year's Outlook, and the time-limited adjustments are almost twice as large. Note that some of the new holidays span multiple fiscal years, and the calculation used for this Outlook sums the entire amount committed across years to produce a single representative cost for the measure.

(\$Millions)	Fiscal Year 2024-25			Fiscal Year 2025-26			Fiscal Year 2026-27		
	Rec	NR	Total	Rec	NR	Total	Rec	NR	Total
Continuing Tax/ Fee Changes	(134.8)	29.8	(105.0)	(269.6)	29.8	(239.8)	(404.4)	29.8	(374.6)
Time-Limited Tax/ Fee Changes	-	(541.5)	(541.5)	-	(541.5)	(541.5)	-	(541.5)	(541.5)
TOTAL	(134.8)	(511.7)	(646.5)	(269.6)	(511.7)	(781.3)	(404.4)	(511.7)	(916.1)

Trust Fund Transfers to General Revenue

For various reasons, trust funds are created to set aside or earmark a portion of state revenue for particular uses. For Fiscal Year 2023-24, appropriations were made from 169 different trust funds, totaling \$71.4 billion. Approximately \$41.3 billion was appropriated from federal revenue sources and \$30.1 billion from state revenue sources.

The annual General Appropriations Act typically includes transfers of unobligated fund balances from trust funds to the General Revenue Fund. Like last year, this year’s Outlook relies on a three-year average of trust fund transfers to General Revenue to produce a representative level for the future. The average is calculated using pre-veto levels and is exclusive of transfers related to constitutional amendments, transfers associated with estimating conferences, and transfers related to permanent law changes significantly affecting one or more trust funds and producing related sweeps.

In addition, the three-year average removes redirections of General Revenue funds to state trust funds such as occurred with the Highway Safety and Motor Vehicles Operating Trust Fund in 2022 (Chapter 2022-155, Laws of Florida), the State Housing Trust Fund in 2023 (Chapter 2023-17, Laws of Florida), and the Inmate Welfare Trust Fund in 2023 (Chapter 2023-244, Laws of Florida). Similarly, trust fund transfers in prior years that were subsequently prohibited were not included. An example includes the statutory change that prohibits certain transfers from the housing trust funds to the General Revenue Fund (Chapter 2021-039, Laws of Florida).

Calculation of Trust Fund Transfers to the General Revenue Fund (\$Millions)	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2023-24	Three-Year Average*
Total Transfers to General Revenue	559.3	40.0	45.0	214.8
<i>Adjustment for Excluded Transfers</i>	---	---	---	
<i>Adjustment for Redirect to State Trust Funds</i>	---	(30.0)	(192.8)	
<i>Adjustment for Prohibited Transfers</i>	(362.5)	---	---	
NET TRANSFER TO GENERAL REVENUE	196.8	10.0	(147.8)	19.7

*Excluded transfers and adjustments are not averaged; they are deducted in their entirety from the respective year.

For Fiscal Year 2023-24, the negative net transfer to General Revenue can be interpreted as the degree to which the combined trust funds benefitted from incoming General Revenue transfers—effectively the opposite of a sweep.

STATE RESERVES

KEY POINTS

- ❖ The state’s reserves for Fiscal Year 2023-24 are estimated to be \$13.6 billion, including \$8.8 billion of unallocated General Revenue.
- ❖ An unallocated reserve equal to 3.9 percent of the estimated revenue is maintained in the General Revenue Fund for each year of the Outlook. This equals approximately \$1.9 billion each year.

The Budget Stabilization Fund (BSF), the Emergency Preparedness and Response Fund, and unallocated General Revenue compose the state’s reserves.²⁸ The constitutionally-required BSF is the state’s structural reserve that must contain an amount equal to at least 5 percent but no more than 10 percent of General Revenue collections in the last completed fiscal year.²⁹ The Emergency Preparedness and Response Fund was created in the 2022 Session to be used as a primary source of funding for preparing or responding to a disaster declared by the Governor as a state of emergency.³⁰ Unallocated General Revenue is the working capital balance of the state and consists of moneys in the General Revenue Fund that are in excess of the amount needed to meet General Revenue Fund appropriations for the current fiscal year.³¹ The funds also remain available for the Legislature to respond to revenue shortfalls, program deficits, or other expenditures of the state.

Based on the state’s accounting records at the time of this Outlook, total reserves for Fiscal Year 2023-24 are projected to be \$13.6 billion. The anticipated reserves reflect the unallocated funds that are expected to remain on June 30, assuming revenues meet the estimates and all authorized expenditures are made before the end of the fiscal year. The following table shows a 10-year history of anticipated state reserves at the time each year’s Outlook was developed.

Reserves (\$Millions) Outlook Year	Baseline Fiscal Year	Unallocated General Revenue	Budget Stabilization Fund	Lawton Chiles Endowment Fund	Emergency Preparedness & Response Fund	Total Anticipated Reserves	General 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%

²⁸ Chapter 2021-43, L.O.F., terminated the Lawton Chiles Endowment Fund, which previously functioned as part of the state’s reserves. The legislation directed the State Board of Administration to liquidate the fund’s assets and transfer them to the BSF.

²⁹ Art. III, s. 19(g), Fla. Const. and s. 215.32, FS.

³⁰ Ch. 2022-2, L.O.F.

³¹ Sec. 215.32(2)(a), F.S.

For Fiscal Year 2023-24, the unallocated General Revenue reserve is estimated to be \$8.8 billion, as shown on the Financial Outlook Statement adopted by the Revenue Estimating Conference in August 2023.³² This positive ending balance accounts for all available funds, including the Fiscal Year 2022-23 actual revenue collections and the revised forecast for Fiscal Year 2023-24, as well as authorized expenditures.

Consistent with the assumptions used for the 2021 and 2022 Long-Range Financial Outlooks, a minimum General Revenue reserve equivalent to 3.9 percent of the revenue estimate is maintained for each year of the forecast period. This equals about \$1.9 billion each year. The Outlook also accounts for reserves that have been created for each of the three major trust funds (i.e., Educational Enhancement, State School, and Tobacco Settlement). The amounts for these trust funds are calculated by applying the same 3.9 percent minimum reserve to each fund's revenue estimate as is done for the General Revenue Fund.

Finally, the Outlook typically provides for the constitutionally-required transfers to the Budget Stabilization Fund to achieve the required balance of 5 percent of General Revenue collections. Based on the August 2023 General Revenue estimates, no transfers are required during the three-year forecast period.

³² The General Revenue Fund Financial Outlook Statement is available at <http://edr.state.fl.us/Content/revenues/outlook-statements/general-revenue/index.cfm>.

ECONOMIC AND DEMOGRAPHIC TRENDS

KEY POINTS

- ❖ The state and national economic forecasts were little changed from the forecasts used to develop the Fiscal Year 2023-24 General Appropriations Act, but the expected recession has been removed entirely.
- ❖ The headwinds from inflation are still expected to subside, but now linger well into Fiscal Year 2025-26. Otherwise the long-term growth path from the estimating conference held immediately prior to the pandemic is generally maintained and, in some cases, exceeded.
- ❖ Florida's unique demographics will present challenging issues for the state's policy makers between now and 2050. The effects of the aging Baby Boom population will be most immediate.

Key Economic Trends

The new state and national economic forecasts adopted in July 2023 were little changed from those adopted in February 2023 for the Legislature, although those forecasts had assumed a mild recession in the first and second quarters of 2023 that failed to materialize. This expectation has now been removed from the forecast entirely. As a result, Fiscal Year 2023-24 is modestly stronger, although the differences tend to wash out over the remainder of the forecast, if not in Fiscal Year 2024-25. Notably, the headwinds from inflation are still expected to subside, but now linger well into Fiscal Year 2025-26. Otherwise, the long-term growth path from the estimating conference held immediately prior to the pandemic is generally maintained and, in some cases, exceeded. Stability has increased, increasing confidence in the estimates.

Even so, 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. How these economic challenges ultimately transition to normal conditions will be pivotal to the actual performance of Florida's economy over the next few years.

One measure for assessing the economic health of states is the year-to-year change in real Gross Domestic Product (GDP), which is all goods and services produced or exchanged within a state. Florida's quarterly GDP movements have generally tracked the nation as a whole since the beginning of the pandemic. Buffeted by a series of economic shocks, the state's GDP fell -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 Conference anticipates that the state's economy expanded at a still healthy 3.0 percent in Fiscal Year 2022-23, but will drop to a more characteristic 2.5 percent this year (Fiscal Year 2023-24) as economic imbalances continue to weigh on the economy. Thereafter, the economy will grow from 1.7 percent in Fiscal Year 2024-25 to 2.4 percent in Fiscal Year 2026-27.

Normally, personal income growth is another important gauge of the state's economic health; however, its changes have been in stark contrast to GDP, driven largely by the ebb and flow of federal dollars into Florida households and businesses. Because of these infusions, 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 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.

The key measures of employment are job growth and the unemployment rate. Along with the nation and the world, the job market in Florida experienced an unprecedented contraction in the second quarter of 2020 when a large part of the Florida economy either shut down or sent workers home to slow the spread of the Coronavirus. Employment dropped by almost 1.3 million jobs from February 2020 to April 2020, a loss of 14.1 percent of the pre-pandemic level. Three years later, the lost jobs have largely been restored. In July 2023, Florida exceeded the overall pre-pandemic level by 704,000 jobs, a gain of 7.8 percent. This 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.

The Economic Estimating Conference assumes that the "full employment" unemployment rate is about 4.0 percent. Florida's unemployment rate had been below this level for over two years before the onset of the pandemic in March 2020. By May 2020, the unemployment rate spiked to 14.1 percent, surpassing the prior peak rate of 10.9 percent experienced in the first four months of 2010 during the Great Recession. Today, Florida's monthly unemployment rate has been remarkably low for at least a year. In July, it matched the 2.7 percent reported for all of last year, 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.

The persistently low unemployment rate and elevated inflation have jointly introduced a new economic pressure. 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 U.S. 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 U.S. average. The most recent data shows that the state's average percentage had fallen from 2016 when it was 87.7 percent to 87.3 percent 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.

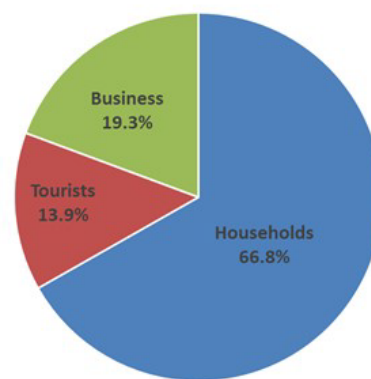
Two areas of the state's economy indirectly benefited from the Federal Reserve's actions to protect the wider economy from the worst of the pandemic effects, albeit with a future payback: real estate and

construction. Throughout the worst of the crisis, these economic sectors thrived as the federal funds rate neared zero and pushed interest rates to historic lows. Growing for the second year at a double-digit rate, total private housing starts reached a 16-year high of 251,800 units in Fiscal Year 2021-22, yet they were still far from the housing boom peak of over 272,000 units in Fiscal Year 2004-05. Since then, the 30-year mortgage fixed rate soared to 6.5 percent during the second quarter of the 2023 calendar year. Given the Federal Reserve’s most probable series of interest rate hikes, the Mortgage Bankers Association anticipates the 30-year mortgage fixed rate will move still higher in this quarter to 6.8 percent. Moving in step, starts are projected to slump by 18.6 percent this year, after already falling 17.2 percent in Fiscal Year 2022-23. Weak or negative growth is expected throughout the remainder of the forecast. At the end of the ten-year forecast period, total private housing starts achieve only 60.7 percent of the peak in Fiscal Year 2004-05, aligning with similar projections in the pre-pandemic forecast. Construction employment finally surpasses its prior peak in Fiscal Year 2032-33.

Finally, Florida’s tourism-sensitive economy is particularly vulnerable to negative shocks. After the onset of the pandemic, the total number of tourists declined nearly -70.0 percent from the prior year in the second quarter of 2020. After that dramatic drop, tourism managed to recover gradually, buttressed by the increased number of domestic visitors travelling to Florida by air or car. It took two years to reach recovery from this pandemic in domestic visitors, while international visitors are still at depressed levels. The Conference estimates that total visitors, growing by 39.0 percent, surpassed the pre-pandemic peak by the end of Fiscal Year 2021-22, albeit with a different composition. Slowly returning to a more normal mix of visitors, the 2022-23 fiscal year saw growth of 4.5 percent, with additional strength expected in 2023-24 (5.5 percent growth). The annual growth rates moderate thereafter, gradually declining from 4.4 percent in 2024-25 to 3.0 percent in 2032-33; however, the new forecast levels never exceed the pre-pandemic forecast levels for those years.

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 FY 2020-21, sales tax collections provided nearly \$27.2 billion or 74.9% of Florida’s total pandemic-impacted General Revenue collections for the year. Of this amount, an estimated 13.9% (\$3.8 billion) was directly attributable to purchases made by tourists or temporary residents.

Contributions to General Revenue from Sales Tax (with CST) Collections in FY 2020-21, By Source

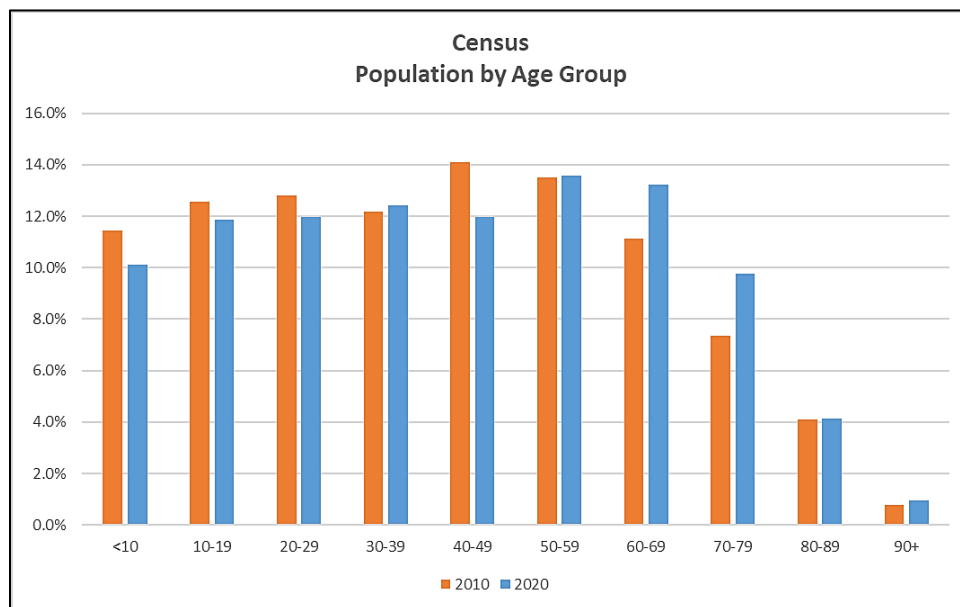


Key Demographic Trends

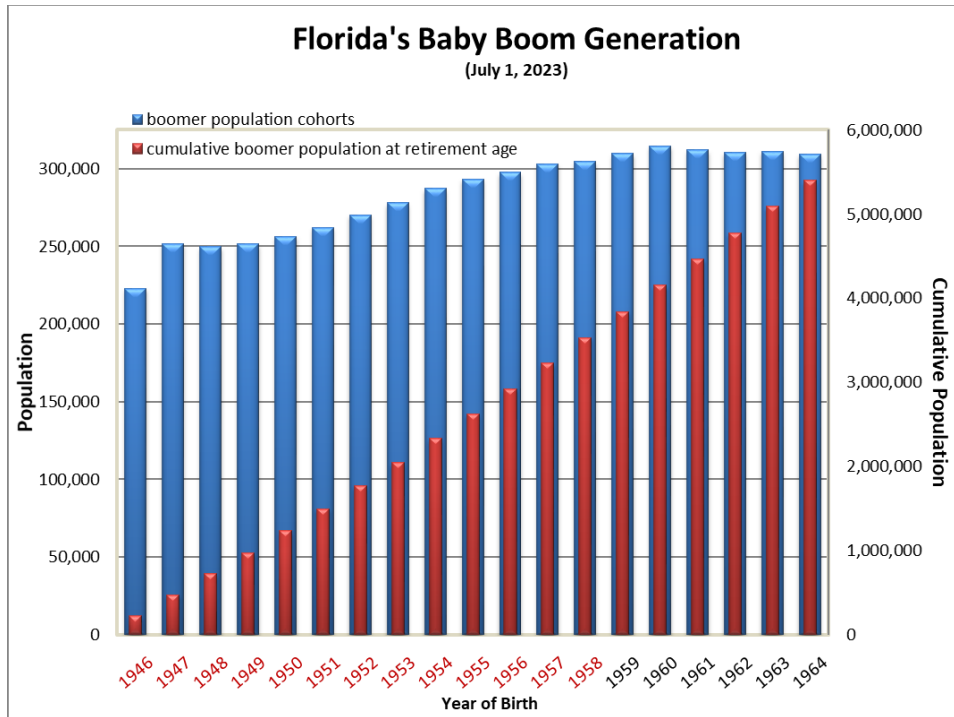
Population growth is the state’s primary engine of economic growth, fueling both employment and income growth. Between 2022 and 2030, state growth is expected to average 1.27 percent per year. Nationally, average annual growth is expected to be about half of that level—approximately 0.64 percent each year between 2022 and 2030.

Florida’s strongest April-over-April growth rate in this century was 2.58 percent in the year 2000, 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 1 growth rates were 1.64 percent for 2020 (+348,338), 1.67 percent for 2021 (+360,758), and 1.72 percent for 2022 (+377,187). Growth is expected to drop slightly to 1.58 percent (+352,017) when the numbers are finalized for April 1, 2023. All of the growth is from net migration, as natural increase is anticipated to remain negative throughout the long-run forecast with deaths outnumbering births.

Part of this expectation relies on the aging of Florida’s population. The Census Bureau recently released more detailed 2020 Census results, showing the continued aging of Florida’s population over the last decade. Relative to the 2010 Census, the percentage of residents aged 40 to 49 fell by 2.1 percent, while the percentage of residents aged 60 to 69 and 70 to 79 increased by 2.1 percent and 2.4 percent respectively.



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 percent of all Baby Boomers. Population aged 65 and over is expected to represent at least 24.4 percent of Florida’s total population in 2030, compared with 21.2 percent in 2020 and 17.3 percent in 2010. The sheer size of this aging population will have knock-on effects for Florida’s future economy, as well as implications for the labor force, health care services, modes of service delivery, and overall tax collections. As this cohort continues to age, the effects will vary over time, with the positive benefits nearing their end over this decade and the challenges still ahead.



Although caution should be used when relying on decennial data to make comparisons over time since the methods have been revised, it is clear that Florida's unique demographics will present challenging issues for the state's policy makers over the next three decades.

SIGNIFICANT RISKS TO THE FORECAST

KEY POINTS

- ❖ There are risks to the Outlook which could alter the results (both positively and negatively).
- ❖ These risks include hurricanes, federal funding for Medicaid, litigation against the state, and potential constitutional amendments.

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.

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. Although there is a widespread misconception that hurricanes are somehow beneficial to the state from an economic perspective, state government typically has expenditures greater than any incremental increase in the revenue estimate.³³ The Outlook does not account for future financial impacts related to any potential hurricanes in 2023 or thereafter.

In addition to the budgetary and revenue effects associated with hurricanes, there is an impact on state debt. Besides the direct 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.

The FHCF is a tax-exempt state trust fund that provides reimbursements to residential property insurance companies for a portion of their catastrophic hurricane losses in Florida. For the 2023 storm season, the FHCF's maximum statutory obligation for mandatory coverage is \$17.0 billion. However, the FHCF's obligation by law is limited to its actual claims-paying capacity. The FHCF currently projects liquidity of \$7.2 billion, consisting of \$3.7 billion in projected cash by December 31, 2023, and \$3.5 billion in pre-event bonds. The projected fund balance has been reduced to account for loss reserves for 2017 Hurricane Irma, 2018 Hurricane Michael, and 2022 Hurricane Ian, for which the FHCF is currently paying claims. Given recent financial market conditions, it is estimated the FHCF would be able to bond approximately \$8.6 billion during the next 12 months if a large event occurs during the contract year. This estimated claims-paying capacity of \$12.3 billion (\$3.7 billion cash plus \$8.6 billion bonding capacity), combined with \$3.5 billion in pre-event bonds, is \$1.2 billion below the total potential statutory maximum claims paying obligation of \$17.0 billion. The \$17.0 billion amount translates to an approximate 1-in-240 year event

³³ Legislative Office of Economic and Demographic Research analysis of the 2004 and 2005 hurricanes.

(0.42 percent probability) or an event that causes \$98.2 billion in FHCF covered industry residential losses for the 2023 storm season.³⁴

Citizens is the largest property insurer in Florida and currently has 1.37 million policies. For the 2023 storm season, Citizens' probable maximum loss for a 100-year storm event is \$16.6 billion. Citizens currently has claims paying ability of approximately \$16.1 billion consisting of a cash surplus of \$5.1 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.

Disproportionate Share Hospital Program

Medicaid Disproportionate Share Hospital (DSH) payments 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 are capped and represent the maximum federal matching payments a state is permitted to claim. In Fiscal Year 2023-24, \$370.2 million in DSH funding was appropriated by the Legislature, with \$248 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 aggregate reduction amounts were originally scheduled to begin in Federal Fiscal Year 2014 and run through Federal Fiscal Year 2020. After subsequent legislation delayed the start date, the Centers for Medicare and Medicaid Services (CMS) released a final rule in September 2019 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 DHRM relies on statutorily identified factors to determine the state-specific DSH allotment reductions and limits the reduction to be applied to each state to 90 percent of its original unreduced allotment.

No adjustments have been included in the Outlook to reduce the DSH funding allocated to Florida because it is unknown how the final CMS rule will ultimately affect Florida, nor how the Legislature will respond to any loss of these federal funds. Florida has also implemented other federal matching programs that may offset DSH losses, including the Directed Payment Program (DPP) and the Indirect Medical Education (IME) Program. Under current law, the Medicaid DSH reductions are scheduled to occur from Federal Fiscal Year 2024 through Federal Fiscal Year 2027. The aggregate reductions to the Medicaid DSH allotments nationwide equal \$8.0 billion for each of those years.

³⁴ The 2022 Outlook reported FHCF's mandatory coverage of \$17.0 billion translated to an approximate 1-in-30 year event or an event that causes \$26.5 billion in covered losses for the 2022 storm season. The 2022 calculation, like prior years' calculations, relied on the probabilities of ground up losses based on the impact of simulated industry losses on the FHCF as a whole. For the 2023 calculation, the FHCF began using a detailed company approach to more accurately estimate ground up losses. This more refined approach illustrates that it would take a significantly larger event to reach the top of the FHCF's statutory limit.

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 Annual Comprehensive Financial Report (Note 19) contains a list of those legal matters which have significant associated loss contingencies.³⁵

In addition, summaries of the claimed fiscal impacts of significant litigation filed against the state are annually reported by the agencies in their legislative budget requests (LBR). In the LBRs, significant litigation includes only those cases where the amount claimed is more than \$1.0 million or where a significant statutory policy is challenged. In some instances, 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 were successful in the litigation.

Potential Constitutional Amendments

The following proposed amendments to the Florida Constitution are on the ballot for the 2024 General Election and may alter key assumptions of this Outlook.³⁶ Both proposals were made by joint resolution of the Legislature and will require 60 percent approval from voters to pass.

1. Partisan Election of Members of District School Boards: Proposing amendments to the State Constitution to require members of a district school board to be elected in a partisan election rather than a nonpartisan election and to specify that the amendment only applies to elections held on or after the November 2026 general election. However, partisan primary elections may occur before the 2026 general election for purposes of nominating political party candidates to that office for placement on the 2026 general election ballot.
2. Right to Fish and Hunt: Proposing an amendment to the State Constitution to preserve forever fishing and hunting, including by the use of traditional methods, as a public right and preferred means of responsibly managing and controlling fish and wildlife. Specifies that the amendment does not limit the authority granted to the Fish and Wildlife Conservation Commission under Section 9 of Article IV of the State Constitution.

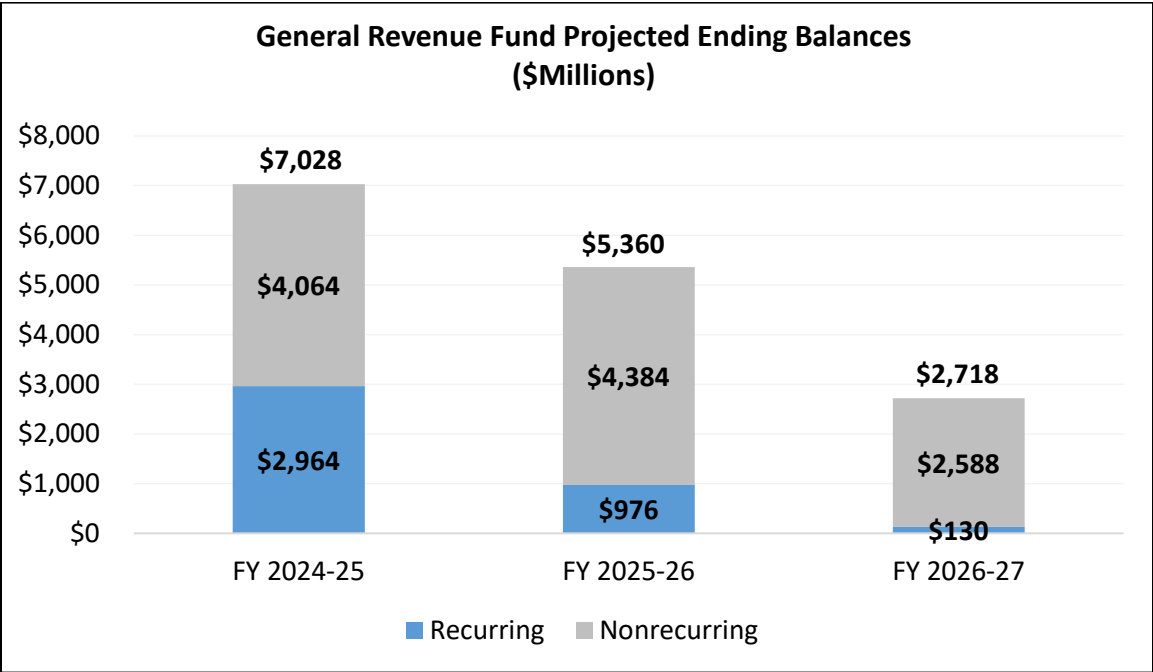
³⁵ Florida's Annual Comprehensive Financial Report is available at <https://www.myfloridacfo.com/transparency/state-financial-reports>.

³⁶ More information about the proposed amendments is available at <https://dos.elections.myflorida.com/initiatives/>.

FISCAL STRATEGIES

While the Long-Range Financial Outlook does not predict the overall funding levels of future state budgets, or the final amount of funds to be allocated to the respective policy areas, it does present a reasonable baseline that identifies issues facing the Legislature in developing the next fiscal year’s budget.

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.



Within the Outlook, the projected ending balance for Fiscal Year 2024-25 is just over \$7.0 billion, or about 15 percent of the estimated revenues. These funds would be available to carry forward into the next fiscal year. In the alternative, the Legislature could choose to use some or all of the balance to bolster the state’s reserves; increase discretionary spending; or provide additional tax reductions. However, the positive budget outlook each year is reliant on the projected balance forward levels being available and the minimum reserve not being used. This creates a natural limit to how much spending could occur while still remaining positive in the two subsequent years.

For example, if the entire ending balance is spent in the first year (with the recurring on recurring programs and the nonrecurring on one-time investments), both the second and third years of the forecast show significant negative ending balances of -\$4.6 billion and -\$5.6 billion, respectively. Similarly, even if only the *recurring* ending balance is spent in the first year on recurring investments, the projected ending balances in the second and third years of the forecast would both be negative. In part, this is because

recurring investments, either expenditures or tax reductions, made in Year 1 of the Outlook period have a compounding effect over time and would reduce future ending balances.

Based on the results of this Outlook, the Legislature can undertake no more than \$130 million of additional recurring expenditures, and no more than \$2.3 billion of other one-time investments, in Fiscal Year 2024-25 without causing a negative balance in Year 3. Thus, decisions regarding the introduction of new programs, significant program enhancements, or revenue adjustments beyond the recurring levels contemplated in the Outlook will need to be made with consideration of out-year impacts. Otherwise, there is the potential to increase funding for programs in Year 1 that would not be sustainable in Year 2.

Another key concern is that the Outlook assumes a relatively modest level of unallocated General Revenue reserves (approximately \$1.9 billion each year), which is well below the planned reserves for the previous three fiscal years.³⁷ Finally, it is also important to consider the Significant Risks outlined in this Outlook, which have the potential to alter key assumptions and, therefore, the level of revenues and/or expenditures used to make these projections.

³⁷ The planned unallocated General Revenue reserve was \$4.5 billion for Fiscal Year 2021-22, \$6.1 billion for Fiscal Year 2022-23, and \$6.2 billion for Fiscal Year 2023-24 as shown on the Post-Session Financial Outlook Statements adopted by the Revenue Estimating Conference.

APPENDIX A – SUMMER REVENUE ESTIMATING CONFERENCE RESULTS

Revenue Estimating Conference – Summer 2023 Forecasts (\$Millions)	Fiscal Year 2022-23		Fiscal Year 2023-24		Fiscal Year 2024-25		Fiscal Year 2025-26		Fiscal Year 2026-27		Link to Forecast
	Previous Forecast	Actual	Previous Forecast	New Forecast	Previous Forecast	New Forecast	Previous Forecast	New Forecast	Previous Forecast	New Forecast	
Article V Fees & Transfers	668.6	697.1	678.8	649.6	681.3	659.6	682.9	666.8	688.7	675.3	http://edr.state.fl.us/Content/conferences/articleV/index.cfm
Documentary Stamp Tax Collections	3,635.0	3,864.8	2,861.8	3,479.4	3,285.2	3,670.6	3,578.6	3,828.4	3,678.9	3,951.3	http://edr.state.fl.us/Content/conferences/docstamp/index.cfm
General Revenue Fund	46,243.8	47,327.8	44,097.3	45,664.4	46,221.6	47,424.2	47,632.9	48,586.8	49,015.2	49,934.8	http://edr.state.fl.us/Content/conferences/generalrevenue/index.cfm
Gross Receipts Tax	1,362.5	1,374.9	1,492.2	1,490.7	1,438.1	1,450.4	1,309.6	1,351.0	1,299.4	1,344.5	http://edr.state.fl.us/Content/conferences/grossreceipts/index.cfm
Highway Safety Licenses and Fees	2,822.2	2,840.9	2,787.4	2,828.4	2,834.5	2,883.4	2,894.5	2,937.5	2,922.0	2,961.2	http://edr.state.fl.us/Content/conferences/highwaysafetyfees/index.cfm
Indian Gaming Revenues	-	-	-	-	-	-	-	-	-	-	http://edr.state.fl.us/Content/conferences/Indian-gaming/index.cfm
Lottery Revenues - Transfer to Educational Enhancement Trust Fund	2,497.8	2,374.0	2,296.1	2,299.2	2,302.8	2,264.4	2,327.5	2,290.3	2,347.9	2,312.8	http://edr.state.fl.us/Content/conferences/lottery/index.cfm

Revenue Estimating Conference – Summer 2023 Forecasts (\$Millions)	Fiscal Year 2022-23		Fiscal Year 2023-24		Fiscal Year 2024-25		Fiscal Year 2025-26		Fiscal Year 2026-27		Link to Forecast
	Previous Forecast	Actual	Previous Forecast	New Forecast	Previous Forecast	New Forecast	Previous Forecast	New Forecast	Previous Forecast	New Forecast	
Pari-Mutuel Revenues	n/a	28.5	n/a	24.5	n/a	25.0	n/a	25.2	n/a	25.8	http://edr.state.fl.us/Content/conferences/parimutuels/index.cfm
Public Education Capital Outlay and Debt Service (PECO) Trust Fund - No Bonding	356.4	356.4	1,172.6	1,146.0	860.0	922.2	838.4	882.3	853.8	901.4	http://edr.state.fl.us/Content/conferences/peco/index.cfm
Revenues Flowing to State Transportation Trust Fund	4,390.1	4,476.4	4,569.2	4,636.0	4,725.7	4,802.1	4,834.3	4,921.7	4,929.0	5,018.3	http://edr.state.fl.us/Content/conferences/transportation/index.cfm
School Taxable Value	2,933,438	2,933,438	3,286,296	3,367,187	3,395,496	3,474,082	3,621,863	3,652,713	3,844,885	3,854,682	http://edr.state.fl.us/Content/conferences/advalorem/index.cfm
Slot Machine Revenues - Transfer to Educational Enhancement Trust Fund	242.6	241.6	245.4	245.4	247.9	247.9	250.7	250.7	253.5	253.5	http://edr.state.fl.us/Content/conferences/slotmachines/index.cfm
Tobacco Settlement Payments	385.1	385.1	411.6	420.1	423.2	428.8	435.6	437.4	448.2	445.8	http://edr.state.fl.us/Content/conferences/tobaccosettlement/index.cfm
Tobacco Tax and Surcharge	1,012.6	1,010.2	989.2	975.9	969.5	946.6	952.6	919.3	936.2	892.9	http://edr.state.fl.us/Content/conferences/tobaccotaxsurcharge/index.cfm
Unclaimed Property - Transfer to State School Trust Fund	285.0	425.0	243.8	387.2	242.0	284.0	248.4	255.2	255.9	247.2	http://edr.state.fl.us/Content/conferences/stateschooltrustfund/index.cfm

APPENDIX B – PROJECTED ENDING BALANCE CALCULATIONS

GENERAL REVENUE FUNDS AVAILABLE PROJECTION - CRITICAL NEEDS + OTHER HIGH PRIORITY NEEDS + REVENUE ADJUSTMENTS (\$ MILLIONS)

	Fiscal Year 2024-25			Fiscal Year 2025-26			Fiscal Year 2026-27		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
1 Funds Available:									
2 Balance Forward [1]	0.0	8,530.0	8,530.0	0.0	7,027.8	7,027.8	0.0	5,359.9	5,359.9
3 Unused Reserve from Prior Year	0.0	0.0	0.0	0.0	1,854.7	1,854.7	0.0	1,900.3	1,900.3
4 Revenue Estimate	47,356.6	200.2	47,556.8	48,340.1	384.7	48,724.8	49,892.2	181.4	50,073.6
5 <i>Revenue Adjustments</i>									
6 Tax and Fee Changes [2]	(134.8)	(511.7)	(646.5)	(269.6)	(511.7)	(781.3)	(404.4)	(511.7)	(916.1)
7 Trust Fund Transfers (GAA)	0.0	19.7	19.7	0.0	19.7	19.7	0.0	19.7	19.7
8 Total Funds Available	<u>47,221.8</u>	<u>8,238.2</u>	<u>55,460.0</u>	<u>48,070.5</u>	<u>8,775.2</u>	<u>56,845.7</u>	<u>49,487.8</u>	<u>6,949.6</u>	<u>56,437.4</u>
9									
10 Estimated Expenditures:									
11 Recurring Base Budget	41,703.3	0.0	41,703.3	44,257.6	0.0	44,257.6	47,094.5	0.0	47,094.5
12									
13 New Issues by GAA Section:									
14 Pre K-12 Education	987.7	(220.6)	767.1	847.8	15.0	862.8	646.7	15.6	662.3
15 Higher Education	502.3	265.0	767.3	451.6	265.0	716.6	457.9	265.0	722.9
16 Education Fixed Capital Outlay [3]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
17 Human Services	719.9	83.3	803.2	1,150.2	83.3	1,233.5	765.1	83.3	848.4
18 Criminal Justice & Judicial Branch	24.3	23.1	47.3	24.3	23.1	47.3	24.3	23.1	47.3
19 Transportation & Economic Development	0.0	479.6	479.6	0.0	477.9	477.9	0.0	479.6	479.6
20 Natural Resources	6.3	872.3	878.6	6.8	999.3	1,006.1	6.8	999.9	1,006.7
21 General Government	12.2	169.3	181.4	12.2	160.1	172.3	12.2	156.6	168.7
22 Administered Funds & Statewide Issues	<u>301.8</u>	<u>647.9</u>	<u>949.7</u>	<u>344.1</u>	<u>467.3</u>	<u>811.3</u>	<u>350.4</u>	<u>385.7</u>	<u>736.1</u>
23 Total New Issues	2,554.4	2,319.9	4,874.2	2,836.9	2,491.0	5,327.9	2,263.3	2,408.7	4,672.0
24									
25 Transfer to Budget Stabilization Fund [4]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
26									
27 Total Estimated Expenditures	<u>44,257.6</u>	<u>2,319.9</u>	<u>46,577.5</u>	<u>47,094.5</u>	<u>2,491.0</u>	<u>49,585.5</u>	<u>49,357.8</u>	<u>2,408.7</u>	<u>51,766.5</u>
28 Reserves	0.0	1,854.7	1,854.7	0.0	1,900.3	1,900.3	0.0	1,952.9	1,952.9
29 Ending Balance	<u>2,964.2</u>	<u>4,063.6</u>	<u>7,027.8</u>	<u>976.0</u>	<u>4,383.9</u>	<u>5,359.9</u>	<u>130.0</u>	<u>2,588.0</u>	<u>2,718.0</u>

Totals may not add due to rounding.

[1] The balance forward for Fiscal Year 2024-25 is adjusted to account for \$270.8 million of General Revenue needed to cover estimated Fiscal Year 2023-24 deficits for Medicaid (\$218.0 M), Educational Enhancement Trust Fund (\$30.6 M), Distribution to Fiscally Constrained Counties (\$16.3 M), Bright Futures Scholarships (\$4.5 M), Benacquisto Scholarships (\$0.9 M), Children/Spouses of Deceased/Disabled Veterans Scholarships (\$0.4 M), and Temporary Assistance for Needy Families (\$0.1 M).

[2] The continuing impact of the recurring tax and fee changes results in a cumulative effect for Fiscal Years 2025-26 and 2026-27.

[3] Previous Long-Range Financial Outlooks included a budget driver for Education Fixed Capital Outlay. The forecast for the Public Education Capital Outlay (PECO) Trust Fund projects sufficient revenues to support the three-year average of appropriations for fixed capital outlay projects. Thus, no General Revenue needs were identified for this year's Outlook.

[4] Based on the August 2023 General Revenue Fund estimates, no transfers to the Budget Stabilization Fund are required during the three-year forecast period.

APPENDIX C – HISTORICAL TABLES

General Revenue Fund Collections

10-Year History (\$ Millions)

Fiscal Year	Post-Session Forecast	August Forecast	Difference (Aug - PS)	Incremental Growth	Percent Growth
2013-14	26,198.0				3.5%
2014-15	27,681.1				5.7%
2015-16	28,325.4				2.3%
2016-17	29,594.5				4.5%
2017-18	31,218.2				5.5%
2018-19	33,413.8				7.0%
2019-20	31,366.2				-6.1%
2020-21	36,280.9				15.7%
2021-22	44,035.7				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%

Long-Range Financial Outlook Results

10-Year History (\$ Millions)

Outlook	For the Period Beginning	General Revenue Ending Balance			Level of Reserves ^[1]
		Year 1	Year 2	Year 3	
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
2018	Fiscal Year 2019-20	223.4	(47.8)	(456.7)	1,000.0
2019	Fiscal Year 2020-21	289.3	(486.0)	(366.7)	1,000.0
2020	Fiscal Year 2021-22	(2,749.9)	(1,899.1)	(926.8)	1,000.0
2021	Fiscal Year 2022-23	6,990.3	8,237.6	10,275.3	1,500.6
2022	Fiscal Year 2023-24	13,534.4	14,618.9	15,502.1	1,663.3
2023	Fiscal Year 2024-25	7,027.8	5,359.9	2,718.0	1,854.7

[1] Beginning with the 2021 Outlook, reserve amounts vary for each year of the forecast as they are based on a percentage of the General Revenue estimate, the reserve amount for Year 1 of the forecast period is displayed.