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RECENT STATE FINANCIAL DEVELOPMENTS

The State's budget is required to be kept in balance with current revenues each State fiscal year, with the final budget subject to adjustment during the fiscal year if necessary to ensure that no shortfall occurs. See "Appendix A - STATE FINANCIAL OPERATIONS - Financial Control" herein for more detailed information.

The financial information set forth below is unaudited. Estimates are based on information available at the time of the estimates. Such estimates are subject to revision as additional information becomes available. Also, estimates are subject to risks and uncertainties which may cause results to differ materially from those estimates set forth below. No assurance is given that actual results will not differ materially from the estimates provided below.

Fiscal Year 2017-18

Budget – The Fiscal Year 2017-18 Budget totaled \$85.0 billion, an increase of approximately \$2.7 billion, or 3.3%, over the Fiscal Year 2016-17 Budget of \$82.3 billion. The General Fund budget totaled approximately \$31.5 billion and was funded primarily from General Revenue collections and approximately \$458 million in trust fund transfers.

Revenues – Actual net General Revenue collections of \$31.2 billion for Fiscal Year 2017-18 represented growth of \$1.6 billion, or 5.5%, over the prior fiscal year. The increase in revenue collections was driven primarily by higher sales tax collections, Indian gaming revenues, documentary stamp tax collections, and insurance tax collections.

Reserves – The General Fund Retrospect released on November 15, 2018, finalized the Fiscal Year 2017-18 year-end General Fund balance as \$1.6 billion. The General Fund balance reflects the release of approximately \$227 million in payments associated with banked card games which were previously held in escrow. The release of these monies was based on a Settlement Agreement and Stipulation entered into between the Seminole Tribe of Florida and the State of Florida in July 2017. The General Fund balance also reflects approximately \$351 million of budget amendments related to Hurricane Irma expenses and bridge loans. See "Impact of Recent Hurricanes" for more information on estimated costs to the State. The Fiscal Year 2017-18 Budget included a \$32 million transfer to the Budget Stabilization Fund, which increased the Budget Stabilization Fund balance to approximately \$1.4 billion at June 30, 2018. When including the Budget Stabilization Fund, General Fund reserves at fiscal year-end totaled approximately \$3.1 billion (9.8% of Fiscal Year 2017-18 General Revenue collections). The Fiscal Year 2017-18 year-end trust fund reserve balances were \$3.3 billion, including \$766 million in the Lawton Chiles Endowment Fund and more than \$2.6 billion in various unreserved trust fund balances. The inclusion of trust fund reserve balances increases the total reserves to approximately \$6.4 billion at fiscal year-end (20.5% of Fiscal Year 2017-18 General Revenue collections).

Fiscal Year 2018-19

Budget – The Fiscal Year 2018-19 Budget totaled \$89.3 billion, an increase of approximately \$4.3 billion, or 5.1%, over the Fiscal Year 2017-18 Budget of \$85.0 billion. The General Fund budget totaled approximately \$32.8 billion and was funded primarily from General Revenue collections and approximately \$400 million in trust fund transfers.

Revenues – Actual net General Revenue collections of \$33.4 billion for Fiscal Year 2018-19 were approximately \$2.2 billion, or 7.0%, higher than the prior fiscal year. Approximately \$686 million of the year-over-year growth in net General Revenue collections was a result of increased Corporate Income Tax collections. Following the passage of federal tax reform in late 2017, the Florida Legislature passed a law which will result

in a refund of \$543.2 million of the increased Fiscal Year 2018-19 Corporate Income Tax collections. The refunds will be paid out in Fiscal Year 2019-20 and will reduce the net Corporate Income Tax collections and net General Revenue collections in that year. Fiscal Year 2018-19 General Revenue collections, net of the Corporate Income Tax refunds that will be paid out in Fiscal Year 2019-20, totaled \$32.9 billion, representing an increase of \$1.7 billion, or 5.3%, over the prior fiscal year. The effect of the Corporate Income Tax refunds, and an additional effect of a temporary reduction in the Corporate Income Tax rate, are included in the final General Revenue reserve balances for Fiscal Year 2018-19 and the projected General Revenue collections and reserve balances for Fiscal Year 2019-20 discussed below.

Reserves – The General Fund Retrospect released on November 4, 2019, finalized the Fiscal Year 2018-19 year-end General Fund balance as \$2.5 billion. The Fiscal Year 2018-19 Budget included a \$67 million transfer to the Budget Stabilization Fund, which increased the Budget Stabilization Fund balance to approximately \$1.5 billion at June 30, 2019. When including the Budget Stabilization Fund, General Fund reserves at fiscal year-end are total approximately \$4.0 billion (11.9% of Fiscal Year 2018-19 General Revenue collections, net of projected Corporate Income Tax collections that will be refunded). The Fiscal Year 2018-19 year-end trust fund reserve balances were \$3.2 billion, including approximately 786 million in the Lawton Chiles Endowment Fund and about \$2.4 billion in various unreserved trust fund balances. The inclusion of trust fund reserve balances increased the total reserves to approximately \$7.2 billion (21.4% of Fiscal Year 2018-19 General Revenue collections, net of projected Corporate Income Tax collections that will be refunded) at fiscal year-end. However, as discussed above, \$543.2 million of the Fiscal Year 2018-19 year end General Fund balance represents projected excess Corporate Income Tax collections that will be refunded to taxpayers in Fiscal Year 2019-20. After adjusting for the future refunds, General Fund reserves at fiscal year-end are approximately \$3.4 billion (10.4% of Fiscal Year 2018-19 General Revenue collections, net of projected Corporate Income Tax refunds) and total reserves are approximately \$6.6 billion (20.1% of Fiscal Year 2018-19 General Revenue collections, net of projected Corporate Income Tax refunds).

Fiscal Year 2019-20

Budget – The 2019 legislative session ended May 4, 2019, with the State Legislature adopting the General Appropriations Act for Fiscal Year 2019-20 (the “2019-20 Budget”). The Governor signed the General Appropriations Act on June 21, 2019. After the Governor’s \$131.3 million in line-item vetoes, the 2019-20 Budget totals \$90.98 billion, which is \$1.7 billion, or 1.9%, more than the Fiscal Year 2018-19 Budget of \$89.3 billion. The General Fund budget totals approximately \$33.93 billion and will be funded primarily from General Revenue collections and \$336.5 million in trust fund transfers.

Revenues – The January 2020 Revenue Estimating Conference (“REC”) forecast for net General Revenue collections in Fiscal Year 2019-20 totaled \$33.2 billion, which would represent a \$164.5 million, or 0.5%, decrease from net General Revenue collections in Fiscal Year 2018-19. The estimated decrease in net General Revenue collections in Fiscal Year 2019-20 is primarily attributable to two factors: Seminole Gaming Compact revenues and Corporate Income Tax collections. As of May 2019, the Seminole Tribe of Florida has ceased making payments to the State under the terms of the Seminole Gaming Compact. Payments from the Seminole Tribe of Florida totaled \$247.7 million in Fiscal Year 2018-19, and no Seminole Gaming Compact revenues are included in the current General Revenue estimates for Fiscal Year 2019-20. Additionally, Corporate Income Tax refunds and a Corporate Income Tax rate reduction related to federal tax reform are estimated to reduce net Corporate Income Tax collections by \$895.2 million in Fiscal Year 2019-20. Sales Tax collections in Fiscal Year 2019-20, which represent approximately 76% of General Revenue collections, are estimated to grow by \$800.3 million, or 3.2%, partially offsetting the decrease in Seminole Gaming Compact revenues and net Corporate Income Tax collections. Excluding the impacts of the Corporate Income Tax refunds in both years, net General Revenue collection estimates would total \$33.7 billion in Fiscal Year 2019-20, representing an increase of \$786.7 million, or 2.4%, over Fiscal Year 2018-19 net General Revenue collections.

Actual net general revenue collections of \$16.1 billion for the six-month period ended December 31, 2019, were approximately 425.2 million, or 2.7%, higher than the August 2019 REC estimates and \$511.9 million, or 3.3%, more than the same period of the prior fiscal year.

Reserves – Based on the January 15, 2020 General Fund Outlook Statement, the Fiscal Year 2019-20 year-end General Fund balance is projected to be \$1.9 billion, approximately \$357 million higher than the projected General Fund balance from the November 4, 2019 General Fund Outlook Statement. The 2019-20 Budget includes a \$91.2 million transfer to the Budget Stabilization Fund, which will increase the balance to \$1.57 billion. When including the Budget Stabilization Fund, total General Fund reserves at fiscal year-end are expected to equal approximately \$3.5 billion (10.5% of projected Fiscal Year 2019-20 net General Revenue collections). The Fiscal Year 2019-20 year-end trust fund reserves are currently estimated at \$2.8 billion, including an estimated \$788 million in the Lawton Chiles Endowment Fund and \$2.0 billion in various unreserved trust fund balances. The inclusion of the trust fund reserve balances increases the estimated total reserves to approximately \$6.3 billion (19.0% of projected Fiscal Year 2019-20 net General Revenue collections) at fiscal year-end. Fiscal Year 2019-20 reserve estimates do not include anticipated Federal Emergency Management (“FEMA”) reimbursements related to hurricane expenses. Additionally, \$135.2 million of the projected Fiscal Year 2019-20 year end General Fund balance represents excess Corporate Income Tax collections that will be refunded to taxpayers in Fiscal Year 2020-21. After adjusting for the estimated future refunds, General Fund reserves at the end of Fiscal Year 2019-20 are projected to total \$3.4 billion (10.0% of Fiscal Year 2019-20 General Revenue collections, adjusted for projected Corporate Income Tax refunds) and total reserves are approximately \$6.2 billion (18.3% of Fiscal Year 2019-20 General Revenue collections, adjusted for projected Corporate Income Tax refunds). Estimates are based on information available at the time they are made and are subject to revision as additional information becomes available.

Fiscal Year 2020-21

Florida Governor Ron DeSantis released his recommended budget for Fiscal Year 2020-21 on November 18, 2019. The Governor’s recommended budget totals \$91.4 billion, an increase of approximately \$420 million (0.5%) over the Fiscal Year 2019-20 adopted budget of \$90.98 billion. The Governor’s recommended budget will be considered as the Florida Legislature formulates the state budget during the 2020 Legislative Session which began January 14, 2020. More information regarding the Governor’s recommended budget can be found at www.BolderBrighterBetterFuture.com.

Impact of Recent Hurricanes

The State has experienced two major hurricane landfalls in recent years: Hurricane Irma in September 2017 and Hurricane Michael in October 2018. States of emergency were declared in advance of both hurricanes, which provided the Governor with broad spending authority to meet the State’s financial needs resulting from the storms.

As of January 23, 2020, the State estimates that it will spend a total of \$3.17 billion in response to Hurricanes Irma and Michael; however, approximately \$1.72 billion, or 54%, of the State’s spending is expected to be reimbursed by the Federal Emergency Management Agency (“FEMA”). The total net anticipated cost to the State of Hurricanes Irma and Michael is \$1.45 billion (\$614.2 million for Hurricane Irma and \$837.6 million for Hurricane Michael) with \$1.36 billion expected to be funded from the State’s General Revenue Fund and \$96.4 million to be paid from various State trust funds. The Fiscal Year 2019-20 projected year-end General Fund balance of \$1.93 billion from the January 15, 2020 General Fund Outlook Statement, reflects \$818.6 million in net General Revenue costs related to Hurricanes Irma and Michael already incurred (\$1.10 billion of expenditures net of \$279.7 million of FEMA reimbursements received through that date). The State projects that it will incur additional net General Revenue costs of \$536.9 million (\$1.39 billion of expenditures net of \$851.4 million of FEMA reimbursements) over the following several fiscal years. These cost estimates will continue to develop and the exact timing of the expenditures and FEMA reimbursements is currently unknown.

The State has sufficient reserves to fund these disaster recovery efforts and has sufficient liquidity to cover expenses in advance of FEMA reimbursements. The costs resulting from Hurricanes Irma and Michael are not expected to have a material effect on the State’s budget or financial position.

The information set forth in the “Impact of Recent Hurricanes” section above is preliminary and subject to change. Cost estimates are based on the best information available at the time of the estimates. Such information and cost estimates are subject to revision as additional information becomes available.

Also, estimates are subject to risks and uncertainties which may cause results to differ materially from those estimates set forth above. No assurance is given that final information and cost estimates will not differ materially from the information and cost estimates provided above.

Litigation Challenging Use of Revenues Restricted by Florida Constitution

In November 2014, the voters of Florida approved an amendment to the Florida Constitution (the "Amendment") which requires that 33% of documentary stamp taxes collected on real estate transactions be set aside in the Land Acquisition Trust Fund (the "LATF") for a period of twenty years beginning July 1, 2015, and be used to acquire and manage lands for conservation and related purposes. The Florida Wildlife Federation, Inc., et al., and the Florida Defenders of the Environment, Inc., et al. (collectively, the "Plaintiffs") subsequently sued the State in the Circuit Court of the Second Judicial Circuit in and for Leon County, Florida (the "Circuit Court"), alleging that the Florida Legislature did not comply with the provisions of the Amendment when they adopted the Fiscal Year 2015-16 and 2016-17 budgets. Specifically, the Plaintiffs alleged that the appropriations from the LATF were used to fund expenditures not allowable under the Amendment. The Circuit Court ruled in favor of the Plaintiffs, holding that (1) the State unconstitutionally commingled LATF moneys with General Revenue and other moneys, (2) moneys appropriated from the LATF must be used only for purposes authorized by the Amendment, and (3) the State may only spend LATF moneys on acquiring conservation land and improving, managing and restoring conservation land acquired after the effective date of the Amendment. The State appealed the Circuit Court decision to the Florida First District Court of Appeal (the "Appellate Court"), and the Circuit Court decision was stayed pending the outcome of the State's appeal. On September 9, 2019, the Appellate Court reversed the Circuit Court decision. The Appellate Court held that the Amendment does not restrict the State's usage of LATF monies to the purchase of land by the State after 2015. The Appellate Court ruled the plain meaning of the Amendment authorizes the use of moneys in the LATF for other purposes, including refinancing property already owned by the State and financing the improvement of non-State owned "working farms and ranches." The Appellate Court remanded the case back to the Circuit Court for further proceedings consistent with its ruling.

Dated February 12, 2020.