

STATE OF FLORIDA

Voluntary Disclosure Regarding the Impacts of COVID-19 Dated April 21, 2020

The purpose of this voluntary disclosure is to provide an overview of State actions taken in responding to the public health crisis caused by the strain of coronavirus called COVID-19 (“COVID-19”). Although the ultimate economic and fiscal impact is unknown and cannot be reasonably estimated at the current time, the actions taken in responding to current events and planning for the future may be instructive.

In response to the public health crisis created by COVID-19, the Governor of the State of Florida issued Executive Order No. 2020-52 on March 9, 2020, declaring a state of emergency in the State of Florida (the “State”). The declaration allows for certain executive actions to respond to the increasing number of COVID-19 cases in the State. The Governor has subsequently issued numerous additional executive orders in response to COVID-19, in an effort to reduce community spread of the virus and protect Florida’s most vulnerable citizens. These measures have included, among others, closing or restricting access to certain businesses and activities, restricting non-essential travel and screening persons traveling into the State, suspension of vacation rental property operations, and limiting movement of all persons in Florida through April 30, 2020, to those necessary to obtain or provide essential services or conduct essential activities.

The General Appropriations Act for Fiscal Year 2020-21 (the “proposed 2020-21 Budget”) was adopted by the State Legislature on March 19, 2020, in the total amount of approximately \$93.2 billion, which is approximately \$2.2 billion (2.4%) more than the Fiscal Year 2019-20 budget of \$91.0 billion. The proposed General Fund portion of the budget totals approximately \$35.2 billion, funded primarily from projected general revenue collections and \$182 million in trust fund transfers. The Legislature set aside \$300 million in the proposed 2020-21 Budget to respond to the potential impacts of COVID-19; however, the potential revenue declines and anticipated expenses from COVID-19 are not specifically addressed. The proposed 2020-21 Budget will ultimately be presented to the Governor and he will have 15 days to review and veto individual line item appropriations in connection with finalizing the proposed 2020-21 Budget which begins on July 1, 2020. It is expected that legislative leadership or the Governor will call a special legislative session in the next fiscal year to make amendments to the 2020-21 Budget in light of the fiscal impacts of COVID-19 after consideration of revenues collected in the next few months; however, no planned date has been announced and no special session has been called. The process for assessing the fiscal impacts of COVID-19 and calling a special session are detailed below.

The economic, financial and budgetary impacts on the State and its economy from the measures taken to combat the spread of COVID-19 are expected to be significant. The most immediate impact on the State’s budget is the cost of responding to COVID-19. Consistent with the Governor’s declaration of an emergency, normal budgetary controls are suspended with respect to costs for responding to COVID-19. The State’s Division of Emergency Management is coordinating the State’s response in accordance with standard emergency management protocols. Budget amendments to the current fiscal year spending plan as a result of COVID-19 total

approximately \$526.3 million (unaudited) through April 10, 2020 (\$293.7 million from general revenues and \$232.6 million from trust funds). No accurate estimates for future costs expected to be incurred are available due to the fluid nature of the response efforts. However, as a result of the President's declaration of emergency, 75% of the eligible costs incurred by the State will be reimbursable by the Federal Emergency Management Agency ("FEMA"). Additionally, the State's share (at least \$4.6 billion) available under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") is expected to be available to defray COVID-19 costs. The State received \$4.16 billion under the CARES Act on April 17, 2020. Although the financial impact to the State for the cost of responding to COVID-19 is anticipated to be significant, it is expected to be manageable.

State general fund revenue collections through the end of February 2020 were \$715.8 million (unaudited) or 3.4% above the March 2019 estimates used to prepare the current fiscal year budget. However, the economic conditions resulting from actions taken to slow the spread of COVID-19 is expected to have a material adverse impact on future State revenue collections. The amount and magnitude of the decline in revenue collections cannot be estimated with any reasonable degree of certainty at this time. The first indication of the magnitude of the decline will be from the remittance of sales tax revenues (which account for approximately 75% of annual State general revenues) generally due by April 20, 2020 (subject to extension), for March 2020 sales activity; however, this data will reflect only decreases in sales activity for the latter half of March after various measures were implemented to slow the spread of COVID-19. The first opportunity to assess a full month of the economic effects of COVID-19 will come from sales tax collections due at the end of May for April 2020 sales activity.

Notwithstanding the expected decrease in revenues and unanticipated expenses related to COVID-19, the State does not anticipate any difficulties with liquidity needed to fund the budget for the current fiscal year which ends June 30, 2020. The Governor's Office, along with legislative staff, are continually monitoring the costs and revenue impacts of COVID-19. Due to the unprecedented nature of the crisis, in addition to tracking the cost of responding and processing necessary budget amendments, they are closely monitoring cash flows to ensure adequate liquidity is available to fund expenditures. The State Treasury had approximately \$20 billion (unaudited) in State funds as of March 31, 2020, available to fund State expenditures through the end of the current fiscal year, excluding monies expected to be received from FEMA reimbursements for COVID-19 response expenses or under the CARES Act described in more detail below.

Although revenue declines are expected in Fiscal Year 2019-20, at this time, the State does not expect to make budget cuts or use reserves in the current fiscal year. However, certain budgetary actions have been taken to be better prepared for expected revenue decreases. The federal government adjusted the Federal Medical Assistance Percentage ("FMAP") applicable to Medicaid funding in the CARES Act, increasing its reimbursement rate to the State by 6.2% to 67.7%, effective January 1, 2020, resulting in an estimated \$590 million reduction in general revenues needed for Medicaid funding in the current fiscal year budget. The \$590 million in estimated savings will flow through to the State's unspent general revenue reserves at the end of the current fiscal year.

Based on the January 15, 2020 General Fund Outlook Statement, the Fiscal Year 2019-20 year-end General Fund balance was projected to be \$1.9 billion. Additionally, the State's Budget Stabilization Fund will contain approximately \$1.6 billion at the end of Fiscal Year 2019-20. Taking into account the Medicaid funding adjustment noted above and budget adjustments through April 10, 2020, combined estimated General Fund reserves at the end of Fiscal Year 2019-20 will total approximately \$3.8 billion or 11.4% of projected general revenue collections for the current fiscal year. In addition to General Fund reserves, the State has additional financial flexibility if the legislature decides to use uncommitted trust fund balances to supplement general fund expenditures as it has in the past. However, the State expects that the response to COVID-19 will have a material adverse impact on projected revenue collections that have not been factored into the State General Fund reserve information provided above because it is too soon to estimate the potential fiscal impact on the State. The foregoing information is to provide investors with the most current information available to evaluate the State's financial position and fiscal preparedness prior to the expected negative economic, financial, and budgetary impacts from the COVID-19 crisis.

The normal process for addressing revenue shortfalls is through revised revenue estimates made by the State Consensus Revenue Estimating Conference. No conference has been scheduled yet to address the expected revenue shortfalls resulting from COVID-19. As noted above, the earliest the conference may have sufficient information to make reasonable and credible estimates of the impact on the State's economy and revenue collections is June 2020, based on revenue collections through the end of May. Under State law, if the conference determines there is a projected shortfall in revenue collections relative to general revenue appropriations during a fiscal year of more than 1.5%, then the legislature is required to eliminate the shortfall through budget adjustments, which may include budget cuts, use of reserves, revenue enhancements or use of federal assistance. Budget adjustments require legislative actions taken pursuant to a special legislative session called by either the Governor or legislative leadership. No such special legislative session has been called but it is expected to be necessary to address expected budget shortfalls in Fiscal Year 2020-21 generated by the negative economic and financial consequences of COVID-19. The State's Chief Financial Officer also has the duty to ensure that revenues being collected will be sufficient to meet appropriations and that no deficit occurs in any State fund and to notify each branch of State government if he determines that a deficit may occur.

The State expects to receive financial support from the federal government through a variety of mechanisms and legislative actions. As noted above, the FMAP percentage for Medicaid reimbursements has been increased resulting in estimated positive budgetary impact of \$590 million in the current fiscal year. The State is also entitled to reimbursement for 75% of eligible costs of responding to COVID-19 from FEMA under the Stafford Act, which may be received over multiple budget years. Lastly, the State expects to receive at least \$4.6 billion in funding under the CARES Act for costs incurred in connection with responding to COVID-19 between March 1, 2020, and December 30, 2020, which also can be used to cover any State match portion of costs reimbursed by FEMA. To date, the State has received \$4.16 billion of moneys allotted to it under the CARES Act. The CARES Act also provides additional funding of up to \$3.7 billion for local governments and approximately \$6.7 billion for specified programs for entities throughout the State. Some portion of these direct payments to programs could reduce the overall COVID-19 expenses funded through State general revenues. The foregoing programs are subject

to various conditions and restrictions contained in the applicable legislative acts or in interpretive guidance provided by various federal agencies and the estimated funding amounts provided herein are subject to adjustment. Additionally, the Governor and/or Legislature will need to take certain actions to request and receive federal funding. However, the State expects that it will qualify and satisfy various conditions such that federal moneys are available to provide budgetary relief in the current and next fiscal year. There may also be additional federal legislation that provides increased financial assistance to the State but no assurance can be provided regarding future federal programs or funding.

Although there will undoubtedly be material negative economic and financial consequences from COVID-19, the State believes it will make all deposits required for the full and timely payments on all of its bonds outstanding including general obligation bonds, bonds secured by specified revenue streams, and appropriation-based credits.

It is likely that the full financial impact of COVID-19 on the State, its economy, and its financial position will change significantly as circumstances and events evolve. It is not possible at present to project with any reasonable degree of certainty the impact on State revenues, expenditures, reserves, budget, or financial position. The purpose of this voluntary disclosure is not to provide forward-looking estimates of projected fiscal impact, but to provide an overview of factors likely to have a bearing on the State's actions taken in connection with COVID-19. No assurance can be given regarding future events or impacts because many actions and events are unpredictable, unknowable at this time, and outside the control of the State. The State will continue to monitor events as they occur, especially those that may have a significant impact on the State's budget and finances, and expects to provide updates to the marketplace via its investor website at www.sbafla.com/bond and filings on EMMA. The provision of updated information is voluntary and may be discontinued at any time and as circumstances change and updated information becomes less meaningful. This voluntary disclosure is not intended to create any ongoing commitment or obligation on the part of the State and should not be interpreted by investors as such.

This information is subject to change without notice. This voluntary notice only speaks as of its date and does not imply there has been no change in any other information relating to the State or any of its outstanding bonds. Nothing contained in this voluntary notice is, or should be construed as, a representation by the State that the information included in this voluntary notice constitutes all of the information that may be material to a decision to invest in, hold or dispose of any securities issued by the State or otherwise related to the State. Although the State may provide additional information from time to time regarding the matters in this voluntary notice, they are not required to do so.

Certain statements contained in this voluntary disclosure reflect not historical facts but forecasts and constitute "forward-looking statements." No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, the words "estimate," "forecast," "project," "anticipate," "expect," "intend," "believe," "budget" and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions and other forward-looking statements in this voluntary disclosure are expressly qualified in their entirety by the cautionary statement set

forth above. The financial information set forth above 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 above. No assurance is given that actual results will not differ materially from the estimates provided above.