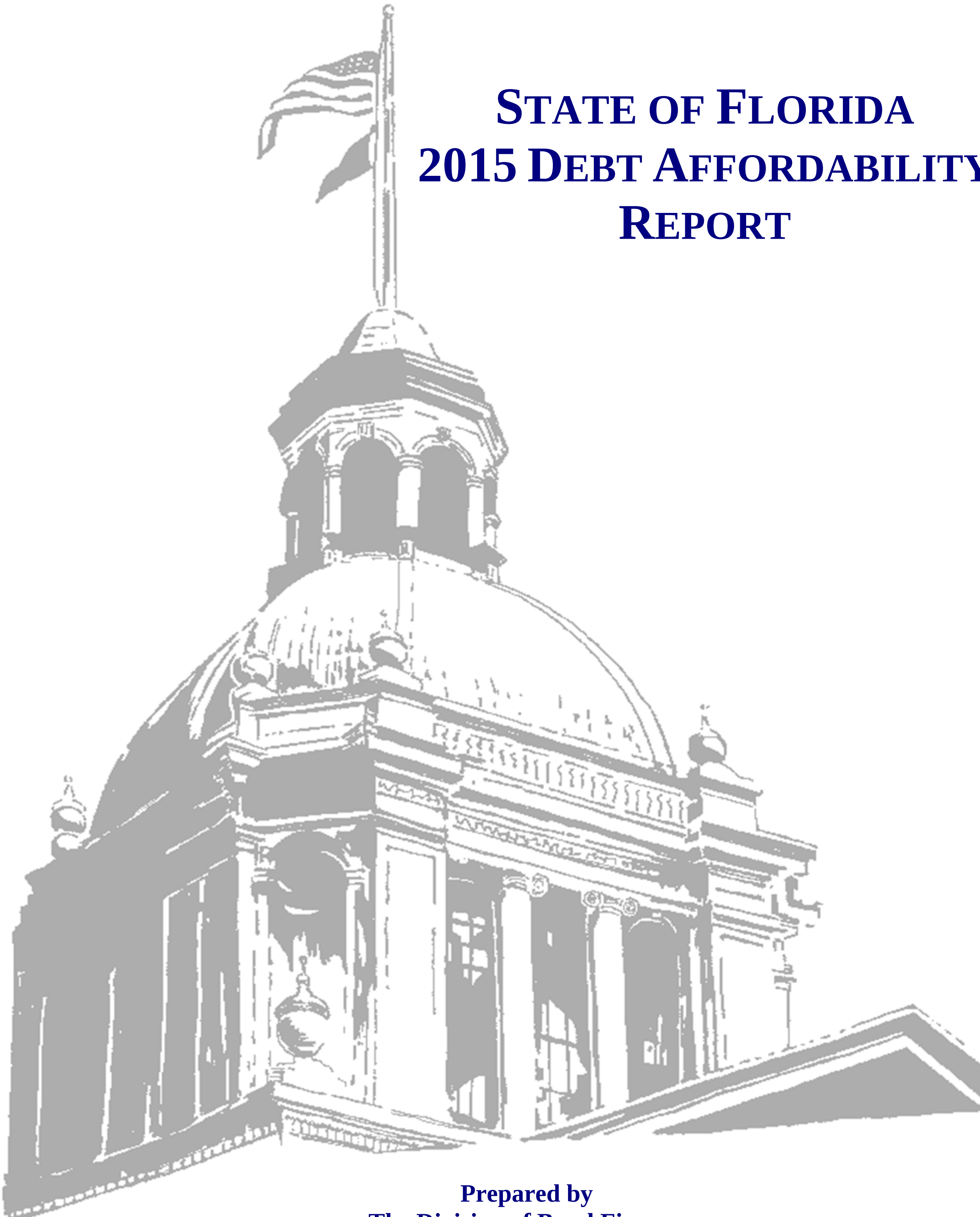
STATE OF FLORIDA
2015 DEBT AFFORDABILITY REPORT



Prepared by
The Division of Bond Finance
December 2015

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EXECUTIVE SUMMARY

The Division of Bond Finance prepared the 2015 Debt Affordability Report (the "Report") to review changes in the State's debt position that occurred over the last year and show how future debt service payments, debt issuance and revenue projections will affect the State's benchmark debt ratio. The report also provides information on matters important to the State's credit ratings like pension liabilities and reserves, as well as developments in alternative financing techniques used by the State including public private partnerships and university direct support organizations. The Report has been prepared as required by Section 215.98, Florida Statutes.

Debt Outstanding: ***Total State direct debt outstanding as of June 30, 2015 was $25.7 billion, a $1.5 billion increase from the prior fiscal year because of adding the I-4 Project. However, total debt has still decreased by $2.5 billion since June 30, 2010.*** Net tax-supported debt for programs supported by State tax revenues or tax-like revenues totaled $21.6 billion while self-supporting debt, representing debt secured by revenues generated from operating bond-financed facilities, totaled $4.1 billion. Indirect State debt at June 30, 2015 was approximately $11.6 billion and represents debt secured by revenues not appropriated by the State or debt obligations issued by a legal entity other than the State. Borrowings by insurance-related entities such as Citizens Property Insurance Corporation ("Citizens") and the Florida Hurricane Catastrophe Fund Finance Corporation ("CAT Fund") comprise the bulk of indirect debt and are increasingly emphasized in the State's overall credit analysis due to the potential economic and financial consequences of hurricanes on the State. For purposes of this report, indirect debt is excluded from State debt ratios and the debt affordability analysis.

Reserves: A government's level of general fund reserves is one of the most important indicators of its financial strength. After using reserves to offset revenue declines during the Great Recession, the State's General Fund Reserves (Unspent General Revenue plus the Budget Stabilization Fund) were replenished to $3.6 billion at June 30, 2013 and cited as a key credit strength by the rating agencies. ***General Fund Reserves were nearly $3.7 billion or 13.3% of general revenues at the end of Fiscal Year 2015. General Fund Reserves are projected to decrease to $3.2 billion, or about 11.1% of general revenues at June 30, 2016 as Unspent General Revenue supplemented expected revenue collections when formulating the Fiscal Year 2016 budget.*** Should the projected decline in General Fund Reserves materialize during Fiscal Year 2016, the State's financial flexibility will diminish by nearly $500 million. However, Trust Fund balances also serve as an additional source of reserves, augmenting the State's financial flexibility.

Public-Private Partnership ("PPP") Debt: ***PPPs are an increasingly popular financing mechanism that add short and long-term liabilities to the State's balance sheet.*** PPPs refer to a multitude of various contractual arrangements that must be carefully analyzed to determine its financial impact on the State. In some cases, the PPP contracts create mandatory financial obligations that are properly reflected as State debt because of the encumbrance of future State resources. PPPs have been used most frequently by the Department of Transportation and universities. ***PPPs have added approximately $6.0 billion in State debt since inception with about $5.1 billion currently outstanding.*** PPPs are not subject to the normal approval process required for traditional debt issuances and, therefore, are not subject to the same independent oversight and scrutiny. Additionally, the debt may not comply with the State's debt management policies which promote prudent financial management practices and are designed to minimize financing costs.

Overview of the State's Credit Ratings: Credit ratings play an integral role in the municipal bond market and are one factor that affects the State's borrowing cost on debt offerings. ***During the fiscal***

year ended June 30, 2015, the three major rating agencies, Standard and Poor's Rating Services ("S&P"), Fitch Ratings ("Fitch"), and Moody's Investors Service ("Moody's") each affirmed the State's AAA, AAA, and Aa1 general obligation ratings and Stable outlook, respectively. Credit strengths noted by the rating agencies include adhering to structural budget balance while absorbing spending pressures; improved revenue performance that is outpacing estimates due to ongoing growth in sales tax collections, the State's primary operating revenue; strong fiscal and debt management practices; restoring reserves that improve financial flexibility; a relatively well-funded pension system; and broad employment and population growth that both currently exceed the U.S. growth rates. However, the State's ratings are sensitive to revenue volatility due to its primary reliance on sales tax to fund the budget and the potential negative fiscal and economic consequences of a catastrophic hurricane. Additionally, rating agencies continue to focus on the State's ability to maintain adequate reserves, maintain budget balance without over-reliance on non-recurring revenues, and manage long term liabilities related to the pension system and public private partnership ("PPP") contracts - an area where growth in debt may occur.

Estimated Annual Debt Service Requirements: ***Annual debt service payments increased by $84 million in Fiscal Year 2015 to $2.0 billion***. The increase in Fiscal Year 2015 debt service requirements reflects a refinement in how long-term PPP obligations are recorded. Projected debt service is expected to remain at approximately $2.0 billion for Fiscal Year 2016 before increasing to a high of $2.3 billion in Fiscal Year 2018 reflecting the payment obligations for the I-4 Project.

Estimated Debt Issuance: ***Approximately $1.3 billion of debt is projected to be issued over the next ten years primarily for transportation projects.*** Right-of-Way Acquisition and Bridge Construction bonds are the primary program with projected issuance. Projections exclude any borrowing for PECO or Florida Forever and additional PPP projects entered into by the Department of Transportation.

Revenue Projections: ***Revenues available to pay debt service in Fiscal Year 2015 totaled $35.4 billion, approximately $1.7 billion more than Fiscal Year 2014.*** Florida's economy continues to strengthen following the Great Recession. Sales taxes and documentary stamp tax collections have shown particular improvement, fueling growth in base revenues available to pay debt service. The long term revenue forecast could be impacted by geopolitical uncertainty and its effect on the U.S. and international economies and a change in the Federal Reserve's current accommodative monetary policy which is expected to begin in December 2015. ***Revenue estimates promulgated at the August 2015 conferences were used for the purposes of the 2015 Report.*** The Revenue Estimating Conference will meet beginning in December 2015 to update revenue forecasts, and revisions to the projected benchmark debt ratio will be made accordingly.

Debt Ratios: ***The State's benchmark debt ratio of debt service to revenues available to pay debt service improved slightly in Fiscal Year 2015 to 5.58%.*** The improvement is due to the increase in revenue available to pay debt service. ***The benchmark debt ratio remained below the 6% policy target for a second consecutive year*** and is forecast to continue this trend because of the projected growth in revenues.

An analysis of the primary debt ratios utilized by the municipal market based on June 30, 2014 data reveals that ***Florida's ratios are lower than peer group averages for all measures including the benchmark debt ratio.*** Improvement in the State's ranking among its peer group over the last ten years has resulted in the State having the seventh lowest ratio of debt service to revenues and debt as a percentage of personal income. The State's debt per capita and debt as a percentage of state Gross Domestic Product ("GDP") remained the eighth and fifth lowest, respectively.

Debt Ratios
2014 Comparison of Florida to Peer Group and National Medians

	Net Tax-Supported Debt Service as a % of Revenues	Net Tax-Supported Debt Per Capita	Net Tax-Supported Debt as a % of Personal Income	Net Tax-Supported Debt as a % of GDP
Florida	5.60%	$1,029	2.40%	2.42%
Peer Group Mean	6.54%	$1,684	3.55%	3.07%
National Median	5.30%	$1,012	2.60%	2.21%

Pension Liability: ***The pension system is relatively well-funded with a funded ratio of 86.6% at June 30, 2014 based on the actuarial value of assets.*** For Fiscal Years 2014, 2015 and 2016, Florida has fully funded its required contribution to the pension system returning to its normal discipline following a period of underfunding for budget relief during the Great Recession. Annual pension contributions are viewed as long-term fixed costs by rating agencies and incorporated into their credit analysis. Several states credit ratings have been downgraded because of poor management of their pension systems resulting in outsized pension liabilities. Consequently, ***management and funding of the pension system are an important aspect of Florida's credit rating.***

Rating agencies employ various "adjustments" to reported pension liabilities for greater comparability across the state sector. These adjusted net pension liabilities ("ANPL") are analyzed relative to the economic metrics used to evaluate debt obligations. An analysis of Florida's adjusted net pension liability indicates it falls substantially below national and peer group averages. Florida is the lowest in the peer group when comparing the ANPL to the traditional debt metrics of per capita, personal income, and state GDP; and for annual contributions as a percentage of revenues; and next to the lowest ANPL as a percentage of revenues. Moody's has yet to publish Fiscal Year 2014 data, but Florida's metrics are expected to improve slightly relative to those presented below for Fiscal Year 2013.

Pension Metrics
2013 Comparison of Florida to Peer Group and National Medians

	Adjusted Net Pension Liability Per Capita	Adjusted Net Pension Liability as a % of Personal Income	Adjusted Net Pension Liability as a % of GDP	Actuarial Contribution as % of Revenues	Adjusted Net Pension Liability as a % of Revenues
Florida	$954	2.30%	2.30%	2.30%	27.30%
Peer Group Mean	$4,384	9.47%	8.10%	8.10%	91.90%
National Median	$3,010	7.70%	6.00%	6.00%	60.30%

Debt Capacity: ***Based upon current revenue projections and existing borrowing plans primarily for transportation projects, debt capacity is available within the 6% policy target*** as projections for the benchmark debt ratio remain consistently below 6% through 2025. The debt capacity available over the next ten years within the 6% policy target is nearly $20.6 billion. However, debt capacity is a scarce resource and should be used only sparingly to fund critical infrastructure needs. Additional capacity is available under the 7% cap; however, this capacity should be considered as a buffer against revenue declines, which could quickly erode capacity under the 7% cap.

INTRODUCTION

In 1999, the Governor and Cabinet, acting as Governing Board of the Division of Bond Finance, requested a study of the State's debt position. The debt study and analysis of the State's debt position was the genesis of the annual Debt Affordability Report. ***The annual analysis included in the Debt Affordability Report was and continues to be a tool to guide policymakers when assessing the impact of bond programs on the State's fiscal position, enabling them to make informed decisions regarding financing proposals and capital spending priorities.*** Additionally, the Report provides a methodology for measuring, monitoring, and managing the State's debt, thereby protecting, and perhaps enhancing, Florida's bond ratings.

The debt affordability study resulted in the development of a financial model that measures the impact of changes in two variables: (1) the State's annual debt service payments; and (2) the amount of revenues available for debt service payments. The analysis compares the State's current debt position to relevant industry metrics and evaluates the impact of issuing additional debt given current economic conditions reflected in revenue forecasts.

During the 2001 Legislative Session, the Legislature adopted the debt affordability analysis by enacting Section 215.98, Florida Statutes. The statute requires the annual preparation and delivery of the debt affordability analysis to the President of the Senate, Speaker of the House and the chair of each appropriation committee. Among other things, the statute designates debt service to revenues as the benchmark debt ratio. ***Additionally, the Legislature created a 6% target and 7% cap as policy guidelines for the benchmark debt ratio.***

Additional debt causing the benchmark debt ratio to exceed the 6% target may be issued only if the Legislature determines that the additional authorization and issuance are in the best interest of the State. Additional debt causing the benchmark debt ratio to exceed 7% may be issued only if the Legislature determines that such additional debt is necessary to address a critical State emergency.

Preparation of the Report satisfies the requirements of Section 215.98, Florida Statutes. ***The purpose of the Report is to review changes in the State's debt position that occurred over the last year and show how future debt issuance and revenue projections will affect the State's benchmark debt ratio.*** Performing the debt affordability analysis enables the State to monitor changes in its debt position. The Report includes information regarding current revenue estimates, which enables the State to consider changing economic conditions in its future borrowing plans.

The Report reflects information regarding the following three factors that impact revisions to projected debt ratios: (1) actual debt issuance and repayments over the last year; (2) projected future debt issuance over the next ten years; and (3) revised revenue forecasts by the Revenue Estimating Conference. The revised debt ratios are compared with national averages and Florida's eleven-state peer group. Additionally, the revised benchmark debt ratio is evaluated vis-a-vis the 6% target and the 7% cap. Lastly, ***the Report shows whether future debt capacity is available within the 6% target and 7% cap.***

The information generated by this analysis is provided to the Governing Board of the Division of Bond Finance and to the Governor's Office of Policy and Budget for their use in connection with formulating the Governor's Budget Recommendations. ***Updates to the analysis will occur as Revenue Estimating Conference forecasts are revised so that the Legislature has the latest information available when making critical future borrowing decisions during the appropriations process.*** In addition, the Legislature can request the Division of Bond Finance to conduct an analysis of the long-term financial impact when considering any proposed financing initiative. ***Information generated by this analysis includes important aspects for policymakers to consider when making future borrowing decisions as these choices can affect the long-term fiscal health of the State.***

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COMPOSITION OF OUTSTANDING STATE DEBT

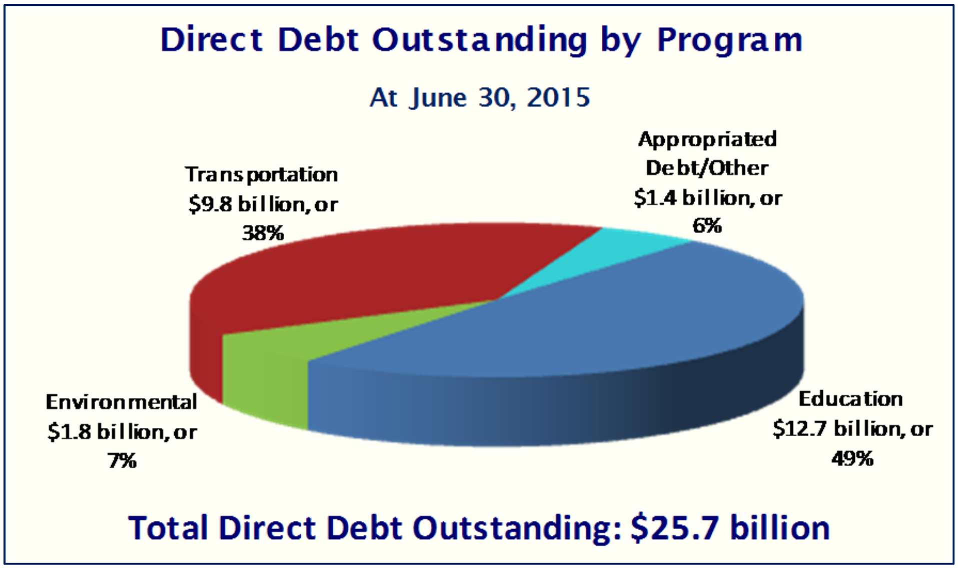


Figure 1

The State of Florida had $25.7 billion in total direct debt outstanding at June 30, 2015. Figure 1 illustrates the State's investment in bond financed infrastructure by program area. Educational facilities are the largest investment financed with bonds, with $12.7 billion or 49% of total debt outstanding. The bulk of the outstanding amount for educational facilities is comprised of Public Education Capital Outlay ("PECO") bonds, which account for $9.2 billion. Previously, declining gross receipts taxes curtailed borrowing under the PECO program; however, the 2014 Legislature passed legislation that shifted a portion of the State sales tax to the gross receipts tax on electricity that generated revenue and bonding capacity for the PECO program estimated at almost $2.7 billion by the August 2015 PECO estimating conference. Despite the estimated capacity, no bonding for PECO has been included in the 2015 Report. Transportation infrastructure at $9.8 billion or 38% of total debt outstanding is the second largest infrastructure investment funded with debt. This is an increase of $2.9 billion over last year, which reflects PPP obligations for the I-4 Project and a refinement in how PPP obligations are recorded as debt. The largest part of transportation debt reflects the State's payment obligations for financing transportation infrastructure through PPPs ($5.1 billion). Contributing to the next largest portion of transportation debt are toll roads financed with bonds for Florida's Turnpike Enterprise ($2.8 billion) and Right-of-Way Acquisition and Bridge Construction bonds ($1.6 billion). Environmental program bonding is the third largest component of State debt, with $1.3 billion of bonds outstanding for the Florida Forever and Everglades Restoration programs.

As shown in Figure 2, ***the $25.7 billion of direct debt outstanding at June 30, 2015, consisted of net tax-supported debt totaling $21.6 billion and self-supporting debt of $4.1 billion.*** Net tax-supported debt consists of debt secured by state tax revenue or tax-like revenue. Self-supporting debt is secured by revenues generated from operating the facilities financed with bonds. The Turnpike Enterprise is the primary self-supporting program that has outstanding debt. The remaining self-supporting debt relates to university auxiliary enterprises, which primarily finance campus housing and parking facilities and the water pollution control revolving loan program, which provides low interest rate loans to local governments for wastewater projects.

Direct Debt Outstanding by Type and Program

As of June 30, 2015

(In Millions Dollars)

Debt Type		Amount
Net Tax-Supported Debt		$21,637.5
Self-Supporting Debt		4,101.1
Total State Debt Outstanding		**$25,738.6**
Net Tax-Supported Debt		
Education		
Public Education Capital Outlay	$9,216.1	
Capital Outlay	293.6	
Lottery	2,015.1	
University System Improvement	150.3	
University Mandatory Fee	83.3	
State (Community) Colleges	92.6	
Total Education		$11,851.1
Environmental		
Florida Forever Bonds	1,154.8	
Everglades Restoration Bonds	214.7	
Inland Protection	67.1	
Total Environmental		$1,436.6
Transportation		
Right-of-Way Acquisition and Bridge Construction	1,569.9	
State Infrastructure Bank	4.8	
P3 Obligations L-T Projects	4,821.2	
P3 Obligations S-T Contracts	231.5	
Florida Ports	363.3	
Total Transportation		$6,990.6
Appropriated Debt / Other		
Facilities	286.6	
Prisons	502.8	
Children & Families	96.3	
Juvenile Justice	6.4	
Lee Moffitt Cancer Center	127.3	
Master Lease	24.3	
Energy Saving Contracts	43.9	
Sports Facility Obligations	271.6	
Total Appropriated Debt / Other		$1,359.2
Total Net Tax-Supported Debt Outstanding		**$21,637.5**
Self-Supporting Debt		
Education		
University Auxiliary Facility Revenue Bonds		$843.4
Environmental		
Florida Water Pollution Control		398.0
Transportation		
Toll Facilities	2,814.6	
State Infrastructure Bank Revenue Bonds	45.1	
Total Transportation		2,859.7
Total Self-Supported Debt Outstanding		**$4,101.1**

Figure 2

In addition to direct debt, the State has indirect debt. Indirect debt represents debt secured by revenues not appropriated by the State or debt obligations of a legal entity other than the State. In some cases, indirect debt may represent a financial burden on Florida's citizenry, e.g., assessments that are pledged to the CAT Fund and Citizens debt. ***Indirect debt is not included in the State's debt ratios or the analysis of the State's debt burden.***

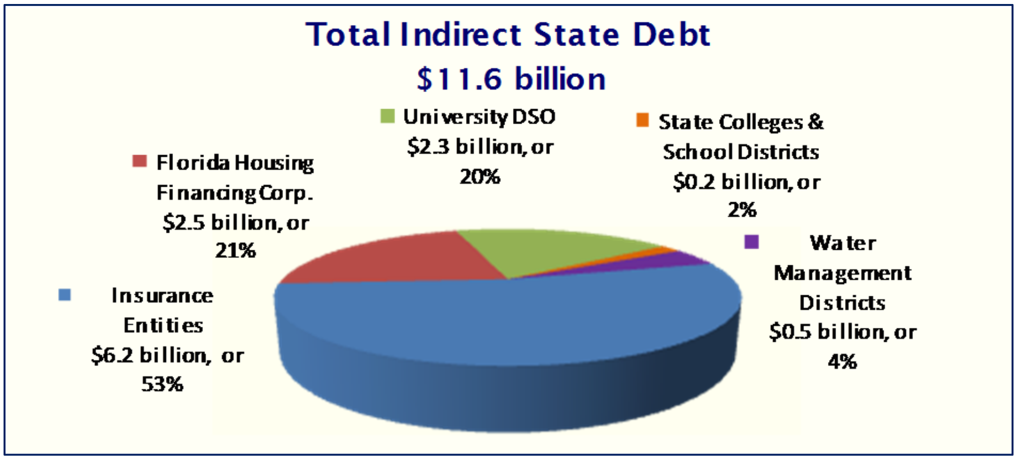


Figure 3

Indirect debt of the State totaled approximately $11.6 billion at June 30, 2015, $600 million less than the previous year-end. Indirect debt declined primarily due to a substantial reduction in debt associated with the Florida Housing Finance Corporation ($285 million). Figures 3 and 4 provide information on the State's indirect debt. ***CAT Fund and Citizens represented $6.2 billion or 53% of total indirect debt and consists of pre-event financings to provide cash to pay potential losses incurred following a hurricane.*** At June 30, 2015, pre-event debt outstanding was $4.2 billion for Citizens and $2.0 billion for the CAT Fund. CAT Fund defeased its outstanding post-event debt in January 2015 and assessments associated with securing those bonds expired July 1, 2015. Although the State views the insurance entities as completely independent and responsible for their own obligations, rating agencies consider the amount of debt outstanding by the insurance entities integral to the State's overall credit and debt analysis due to the fiscal impact the insurance entity assessments could have on Florida's citizenry. The Florida Housing Finance Corporation, which administers the State's housing programs, had $2.5 billion or 21% of the total indirect debt outstanding, and university direct support organizations followed with nearly $2.3 billion or 20% of the total indirect debt outstanding.

Total Indirect State Debt by Program

(In Millions of Dollars)

Insurance Entities		
Florida Hurricane Catastrophe Fund Finance Corporation	$ 2,000.0	
Citizens Property Insurance Corporation	4,166.6	
Total		$ 6,166.6
Florida Housing Finance Corporation		
Single Family Programs	1,193.4	
Multi-Family Programs	1,291.0	
Total		2,484.3
University Direct Support Organizations		
Shands Teaching Hospital & Affiliates	672.2	
University of South Florida	395.5	
University of Central Florida	288.9	
Florida Gulf Coast University	211.1	
Florida Atlantic University	209.7	
North Florida	129.7	
University of Florida	131.1	
Other State Universities	214.0	
Total		2,252.2
Water Management Districts		493.2
School Districts		
Bay	36.4	
Lake	15.8	
Osceola	10.1	
Other School Districts	53.2	
Total		115.5
State (Community) Colleges and Foundations		98.5
Total State Indirect Debt		**$ 11,610.4**

Figure 4

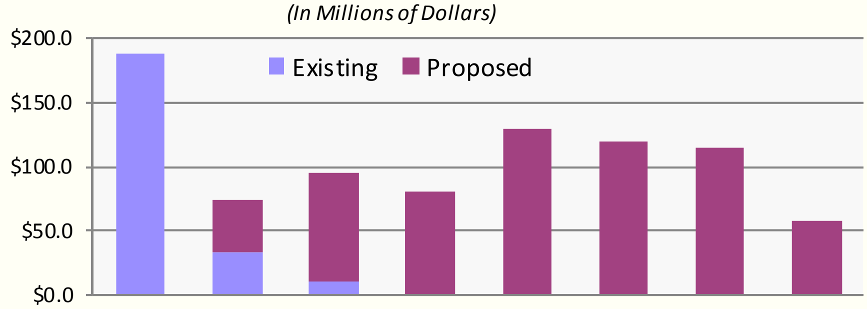
DEVELOPMENTS IN ALTERNATIVE FINANCING TECHNIQUES

Alternative financing techniques provide funding for capital projects and utilize State resources as a repayment source. Five alternative financing techniques are noted in this section of the Report: Department of Transportation ("DOT") short-term Build-Finance and Design-Build-Finance contracts; DOT long-term PPP projects where the capital costs and operations/maintenance expenses associated with the project are paid to a private partner through "Availability Payments"; debt issued through Direct Support Organizations ("DSOs") of the State universities; State university financed facilities through PPP contracts; and charter school transactions that have occurred with more frequency and may continue to grow in the near term. ***Tracking and disclosing alternative financing technique transactions is important as they frequently involve an encumbrance of future state resources but may not be reflected in State debt.***

DOT Short Term Contract Debt

DOT has used Build-Finance and Design-Build-Finance contracts (collectively referred to herein as "Contract Debt") to advance construction projects. Contract Debt accelerates project construction but obligates DOT to make payments at a later date based on a pre-determined contractual schedule, which is functionally equivalent to short-term debt. DOT generally begins making the mandatory, cash availability payments from the State Transportation Trust Fund ("STTF") revenues during construction but payments sometimes continue once construction is complete. ***At June 30, 2015, DOT Contract Debt totaled approximately $231.5 million and is payable through Fiscal Year 2018. DOT has proposed one additional project during Fiscal Year 2016 that would finance improvements to I-395 with Contract Debt payments totaling $625.7 million.*** Contract Debt payments are shown in Figure 5. Although a portion of the payments may be offset with other funding sources (e.g. toll revenues or contributions by local governments), the amounts represent the total payments due under Contract Debt payable from STTF revenues, as the State is the ultimate obligor.

DOT Contract Debt Payments
Fiscal Years 2016 through 2023
(In Millions of Dollars)



	2016	2017	2018	2019	2020	2021	2022	2023	Total
Existing Contracts	$ 187.6	$ 33.6	$ 10.3	$ -	$ -	$ -	$ -	$ -	$ 231.5
Proposed I-395 Contract	-	40.9	85.0	80.0	129.0	119.0	114.7	57.1	625.7
Total Contract Obligations[1]	$ 187.6	$ 74.5	$ 95.3	$ 80.0	$ 129.0	$ 119.0	$ 114.7	$ 57.1	$ 857.2

[1] Does not include payments required under long term P3 contracts for the Port of Miami Tunnel, I-595 and I-4 Ultimate.

Figure 5

DOT's required payments under its Contract Debt have been included as State debt and excluded from calculating the benchmark debt ratio because the term of the Contract Debt is generally no longer than five years, i.e. repaid within the five-year Work Program. Including required payments under the Contract Debt would introduce near-term volatility in the State's benchmark debt ratio, impairing the usefulness of the debt affordability analysis as a long-term planning tool in managing the State's debt position. This treatment differs from the portion of required payments for the PPP obligations for the capital costs for the Port of Miami Tunnel, I-595, and the I-4 long term PPP projects (discussed below) which are included when calculating the benchmark debt ratio. Contract Debt is included in total debt outstanding to recognize the obligations as State debt but excluded from calculating the benchmark debt ratio because of the short-term nature of the obligation and to minimize volatility in the benchmark debt ratio.

DOT Long Term PPP Projects
Pursuant to Section 334.30, Florida Statutes, DOT has executed three agreements with private partners to advance construction of the I-595 Corridor Improvement Project, the Port of Miami Tunnel Project, and I-4 Project through Orlando. ***These projects have original combined construction costs of $4.5 billion ($1.3 billion for the I-595, $543 million for the Port of Miami Tunnel, and $2.7 billion for the I-4 Project).***

The capital costs and operations/maintenance expenses of these PPP projects are paid through "Availability Payments" and short-term payments tied to construction. Availability Payments are mandatory, scheduled payments that commence when construction is complete and continue for 30 to 35 years thereafter. The capital costs of these PPP projects are included as outstanding debt of the State. ***The capital portion of the required payments for DOT's PPP projects total $8.0 billion over the next 40 years.*** The schedule of mandatory payments for the construction of PPP projects is shown in Figure 6. The maximum aggregate annual payment of $551 million for the capital costs associated with these projects is due in 2022. If the maximum payment were due in Fiscal Year 2015 and included as debt service, the 2015 benchmark debt ratio would increase by approximately 1.28%.

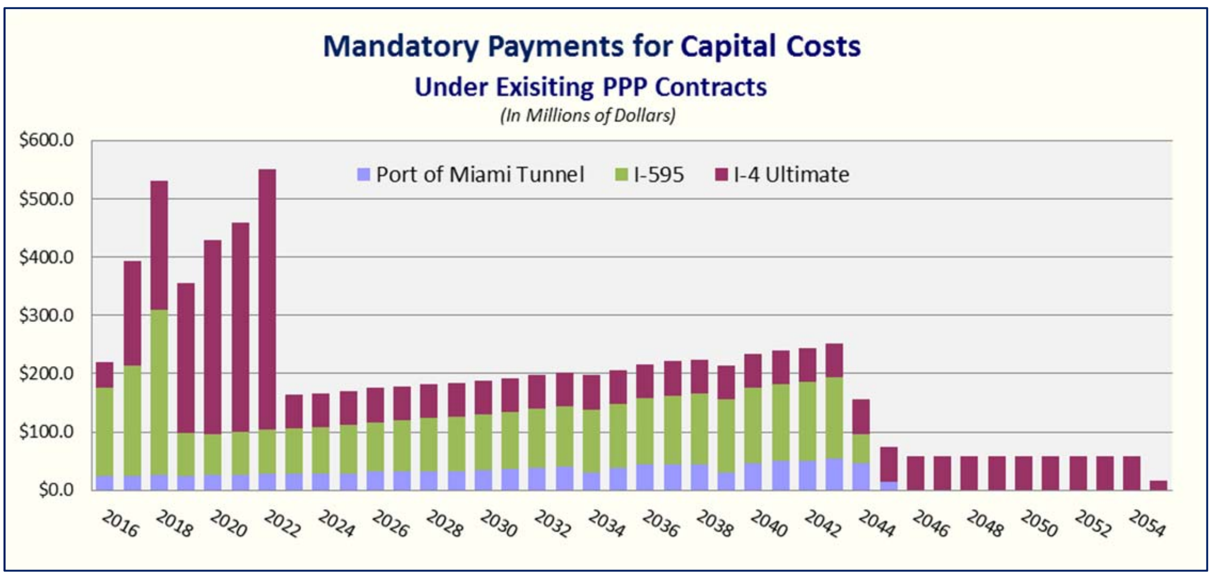


Figure 6

As noted above, ***the State includes the PPP obligations for the capital costs associated with construction of PPP projects as State debt.*** The general consensus among rating agencies is short-term payments tied to construction, no matter when paid to the private partner, should be included as debt of the State. Consequently, at June 30, 2015, the remaining short-term payments tied to construction associated with the I-595 project ($441 million) and with the I-4 Project ($1.7 billion) are included as State debt.

Section 334.30, Florida Statutes, requires DOT to ensure that no more than 15% of the total available federal and state funding in the STTF in any given year be obligated to required payments for Contract Debt and PPP contracts. The amount available under the 15% cap varies annually over the next ten years; however, DOT estimates that in Fiscal Year 2025, $848 million remains for further leveraging under the statutory cap. ***The amount available under the statutory cap generates (for illustrative purposes) additional debt capacity of $8.4 billion. If this amount were added to the State's Fiscal Year 2015 benchmark debt ratio calculation, the incremental increase would be approximately 2.67%***. Going forward, we will continue to analyze the amount available in the STTF that can be further leveraged under the statutory cap to determine the effect on the State's benchmark debt ratio.

University DSO Obligations

Each university in the State system utilizes DSOs to support its various auxiliary functions (e.g. athletics, healthcare, fundraising, research activities, etc.). DSOs can also serve as a conduit issuer or shell corporation that universities use to finance capital projects, including campus housing, parking and athletic facilities. DSO transactions are approved by the universities' Boards of Trustees, DSO Boards, and the Board of Governors; however, unlike transactions managed by the Division of Bond Finance, DSO transactions do not require approval by the Governor and Cabinet. ***DSO debt at the end of Fiscal Year 2015 totaled $2.25 billion and represents 70% of university debt outstanding.*** If DSO debt were included in State direct debt it would be approximately 10% greater. If universities continue to use DSOs to finance facilities that are part of its core infrastructure then it may be necessary to reclassify DSO debt as State direct debt to provide a more accurate picture of the State's total liabilities. ***For purposes of the 2015 Report, DSO debt is excluded from the benchmark debt ratio and continues to be considered indirect debt.***

University PPP Projects to Finance Facilities

During Fiscal Year 2015, the Division of Bond Finance, the Board of Governors ("BOG") and universities collaborated to create Guidelines for universities when financing facilities using a PPP. With the lack of any clear policies or statutes to govern University PPPs, it was important to create a framework for analyzing and authorizing university PPPs since, under certain circumstances, they are used as a financing mechanism for university facilities. The new PPP Guidelines mimic many of the requirements and limitations set forth in Florida Statutes §1010.62 governing the issuance of university or DSO debt, including the BOG's review and approval. Several projects were analyzed prior to adoption of the Guidelines while several more have been considered since the PPP Guidelines were adopted. PPPs are an increasingly popular mechanism for financing university facilities and, with some structures, create a long-term financial obligation of the university. Pursuant to the PPP Guidelines each transaction will be analyzed and if they involve a long-term financial obligation, tantamount to debt, will be properly reflected as university DSO debt. ***We will continue to monitor the development of university PPP agreements and the associated long term obligations to determine their effect on the State's liability profile.***

Charter Schools

According to the Florida Department of Education's website, there were 640 charter schools educating 251,000 students in the State of Florida in Fiscal Year 2015, an enrollment increase of 9.6% in one year. Like Florida public schools, charter schools receive funding for operations from the State on a per student basis. In addition, charter schools can become eligible for capital outlay funding beginning in the fourth year of operation. Capital outlay disbursements to charter schools totaled $75 million in Fiscal Year 2015, a decline of $16 million from Fiscal Year 2014. Enrollment demand has pressured existing charter school facilities and contributed to the proliferation of debt issuance to finance new schools or refinance existing schools. Throughout the U.S., charter school issuance totals 812 transactions for a total par amount of $10.4 billion, of which about $1.1 billion

(10.3%) has been issued by or on behalf of Florida charter schools. Given the ongoing growth in charter school enrollment, debt issued for facilities is expected to continue following an annual increase in volume of 41% during calendar year 2014. ***Since charter school debt is not a direct obligation of the State and municipal market participants evaluate the obligations based on the operator and success of the school, it is not treated as State direct debt and is excluded when calculating the benchmark debt ratio.***

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CHANGES IN STATE DEBT OUTSTANDING

Reviewing the trend in the State's outstanding debt is an important tool in evaluating how debt levels have changed over time. Figure 7 illustrates the growth in total State direct debt from Fiscal Years 2005 through 2010 and the subsequent reductions in Fiscal Years 2011 through 2014 before increasing in Fiscal Year 2015.

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt Outstanding	$22.5	$23.0	$24.1	$24.3	$26.4	$28.2	$27.7	$26.2	$24.6	$24.2	$25.7
Annual Change	-	0.6	1.1	0.2	2.1	1.8	(0.5)	(1.4)	(1.6)	(0.4)	1.5
% Change	-	2.5%	4.6%	0.7%	8.8%	6.7%	(1.7)%	(5.2)%	(6.2)%	(1.5)%	6.2%

Figure 7

Between Fiscal Years 2005 and 2010, the State made substantial investments in infrastructure for education, transportation, and acquiring conservation lands to address the needs of a growing population. As a result, total State direct debt grew by $5.7 billion from $22.5 billion at June 30, 2005 to $28.2 billion at June 30, 2010. During those years, increases in debt outstanding were primarily due to the issuance of PECO bonds ($2.6 billion), PPP obligations ($1.8 billion), Lottery bonds ($850 million), and correctional facility financings ($500 million).

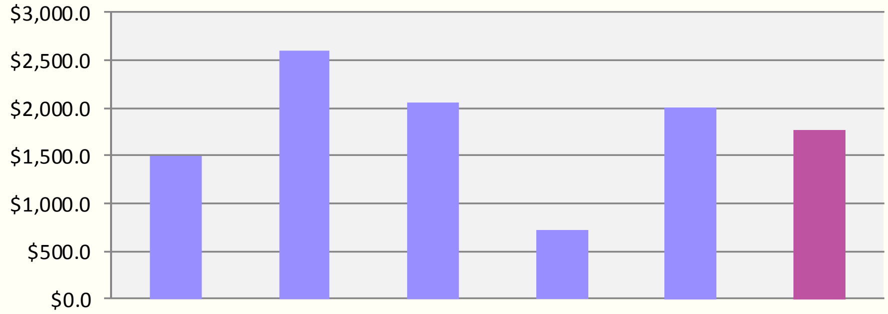
Between June 30, 2010 and June 30, 2014, total direct debt declined by approximately $4.0 billion ($500 million in Fiscal Year 2011, $1.4 billion in Fiscal Year 2012, $1.6 billion in Fiscal Year 2013 and $400 million in Fiscal Year 2014) because very little new money debt was authorized. The decrease in new money debt authorized was due in part to a change in debt management policy that requires more rigorous scrutiny of debt financed projects with a focus on the return on investment or other appropriate quantitative metrics. In Fiscal Year 2015 debt increased by approximately $1.5 billion to $25.7 billion due to substantial investment in transportation infrastructure (I-4 Project) and a refinement in how PPP obligations are recorded.

The vast majority of debt issuance over the last five fiscal years has been to refinance debt at lower interest rates and reduce annual debt service requirements. As shown in Figure 8 below, ***over the last five fiscal years the State has executed 65 refundings totaling $8.85 billion generating gross debt service savings of $1.6 billion over the remaining life of the bonds*** or $1.3 billion on a present value basis. In Fiscal Year 2016 the State has continued to take advantage of favorable interest rates and will continue to aggressively pursue refinancings and debt service savings as opportunities arise.

Refinancing Transactions

Fiscal Years 2011 through 2015; 2016 Y-T-D

(In Millions of Dollars)



	2011	2012	2013	2014	2015	2016	Total
Number of Transactions	12	20	10	9	14	5	70
Refunding Par	$ 1,491.1	$ 2,595.0	$ 2,049.4	$ 713.9	$ 2,004.2	$ 1,776.5	$ 10,630.1
Refunding Savings:							
Gross Savings	$ 193.3	$ 450.9	$ 515.6	$ 99.1	$ 376.9	$ 337.9	$ 1,973.7
Present Value Savings	$ 162.4	$ 366.2	$ 406.1	$ 87.0	$ 311.1	$ 152.6	$ 1,485.4

Figure 8

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CHANGES IN ANNUAL DEBT SERVICE PAYMENTS

Annual debt service payments for the State's existing net tax-supported debt were approximately $2.0 billion in Fiscal Year 2015. Over the last ten years annual debt service payments increased between Fiscal Years 2005 and 2011, peaking at $2.2 billion in Fiscal Year 2011 where it remained for two years before declining 14% to $1.9 billion in Fiscal Year 2014. The change in the annual debt service payment mirrors the increase in total debt outstanding between Fiscal Years 2005 and 2010 and subsequent decline between Fiscal Years 2011 and 2014. The increase in Fiscal Year 2015 shows the impact from refining how PPP obligations are reflected. From a budgetary perspective, measuring the growth in annual debt service indicates how much of the State's resources are obligated for paying debt service before providing for other essential government services.

Figure 9 depicts the change in annual debt service payments over the last ten years. The annual debt service requirement of $1.9 billion in Fiscal Year 2014 illustrates the first material decline in debt service since 1990. In Fiscal Year 2015, debt service increased by $84 million to nearly $2.0 billion.

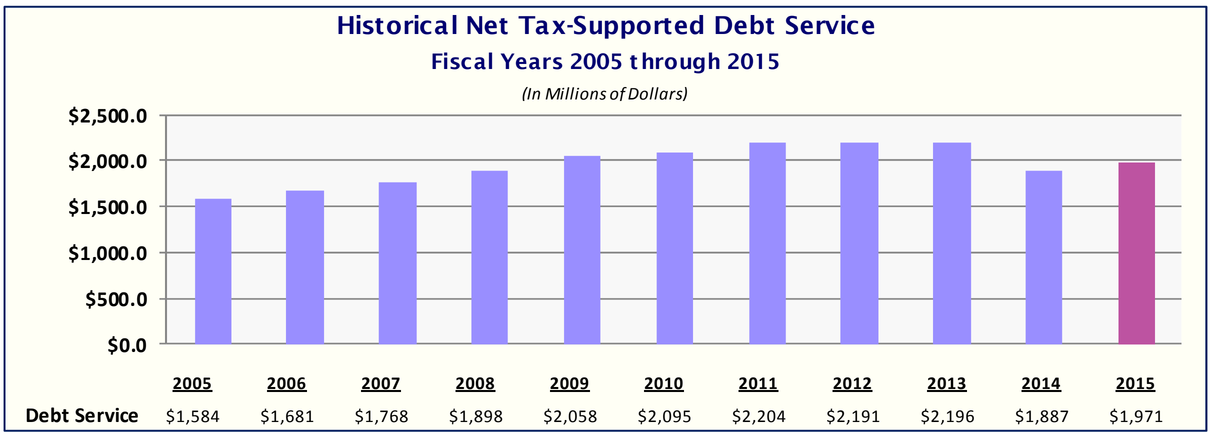


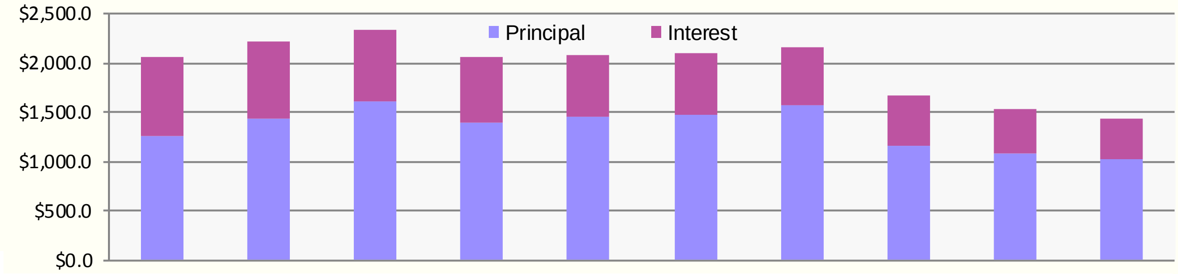
Figure 9

Figure 10 shows annual debt service payments consisting of both principal and interest amounts over the next ten years for the State's existing net tax-supported debt. ***Debt service payments on existing outstanding debt total $19.4 billion over the next ten years***, with principal and interest payments of $13.4 billion and $6.0 billion, respectively. Annual debt service requirements increase in each of the next three fiscal years peaking in Fiscal Year 2018 at $2.3 billion before declining to approximately $2.1 billion in Fiscal Years 2019 through 2022. The uneven or increasing annual debt service requirements are due to the short-term (usually five years or less) payments for DOT PPPs tied to construction of the projects (I-595 and I-4 Project).

Existing Net Tax-Supported Debt Service Requirements

Next Ten Years

(In Millions of Dollars)



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Principal	$ 1,256.9	1,444.0	1,604.3	1,394.4	1,462.6	1,466.5	1,572.8	1,156.2	1,074.8	1,017.0
Interest	787.3	742.8	696.5	649.1	602.9	603.3	556.0	490.2	443.1	399.3
Total	$ 2,044.2	$ 2,186.8	$ 2,300.8	$ 2,043.5	$ 2,065.4	$ 2,069.8	$ 2,128.9	$ 1,646.5	$ 1,517.9	$ 1,416.4

Figure 10

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PROJECTED DEBT ISSUANCE

Future projected debt issuance is provided by various State agencies that receive proceeds under authorized bond programs. Projections exclude any additional borrowing for PECO, Florida Forever, and additional PPP projects entered into by the Department of Transportation as the amounts and timing of debt issuance under these programs are unknown.

Projected Debt Issuance By Program

Fiscal Years 2016 through 2025

(In Millions of Dollars)

Fiscal Year	Everglades Restoration	ROW	Master Lease	Total Issuance
2016	$ 46.7	$ -	$ 12.0	$ 58.7
2017	-	300.0	10.0	310.0
2018	-	300.0	10.0	310.0
2019	-	200.0	-	200.0
2020	-	175.0	-	175.0
2021	-	150.0	-	150.0
2022	-	125.0	-	125.0
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
Total	$ 46.7	$ 1,250.0	$ 32.0	$ 1,328.7

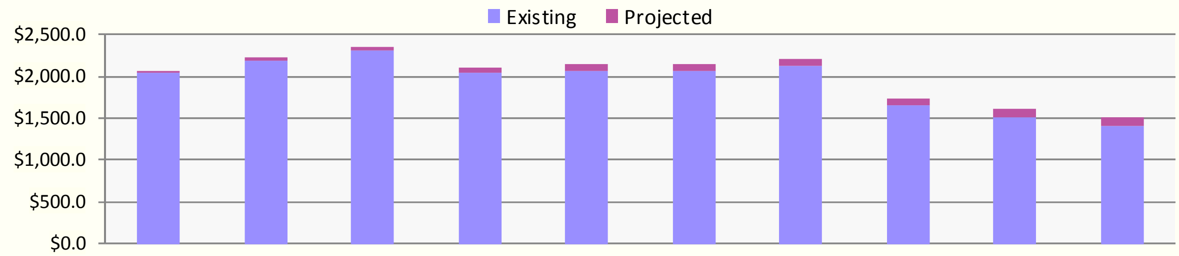
Figure 11

As detailed in Figure 11, ***approximately $1.3 billion in debt issuance is projected over the next ten years primarily for transportation.*** The projected issuance decreased by $2.8 billion (68%) from $4.1 billion previously projected in the 2014 Report due to reflecting as State debt the payment obligations of the I-4 Project, which is included in outstanding debt rather than projected debt issuance. The 2014 Legislature passed legislation that shifted a portion of the State sales tax to the gross receipts tax on electricity and telecommunications that generates revenues dedicated to the PECO program. The August 2015 PECO estimating conference projects that the funds shift creates nearly $2.7 billion in PECO bonding capacity but no projected issuance is included in the 2015 Report. ***The decrease in projected issuance from the 2014 Report helps improve the projected benchmark debt ratio.***

PROJECTED DEBT SERVICE

Projected Annual Debt Service Next Ten Years

(In Millions of Dollars)



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Existing	$ 2,044.2	$ 2,186.8	$ 2,300.8	$ 2,043.5	$ 2,065.4	$ 2,069.8	$ 2,128.9	$ 1,646.5	$ 1,517.9	$ 1,416.4
Projected	6.6	30.6	53.6	62.4	70.3	76.6	84.7	84.7	84.8	84.7
Total	$ 2,050.8	$ 2,217.4	$ 2,354.4	$ 2,105.9	$ 2,135.8	$ 2,146.4	$ 2,213.6	$ 1,731.2	$ 1,602.6	$ 1,501.1

Figure 12

Figure 12 illustrates existing debt service and the annual debt service requirements associated with projected bond issuance over the next ten fiscal years shown in Figure 12. ***Based on existing and projected debt service, annual debt service is expected to remain at about $2.0 billion in Fiscal Year 2016 before increasing and peaking at $2.35 billion in Fiscal Year 2018 and declining to approximately $2.1 billion in Fiscal Years 2019 through 2021. In Fiscal Year 2022 the final payment tied to construction of the I-4 Project occurs, increasing debt service in that year.*** Figure 13 excludes required payments for DOT's short-term Contract Debt, which is included in total outstanding debt but not in projected debt service requirements.

LONG-RUN REVENUE FORECASTS

Revenue available to pay debt service is one of the two variables used to calculate the benchmark debt ratio. Actual general revenue collections for Fiscal Year 2015 exceeded Fiscal Year 2014 collections by $1.7 billion, a 5.0% increase. ***Changes in revenue estimates have a significant impact on the calculation of available debt capacity and are especially important given the State's dynamic economic environment.*** Since August 2014, general revenue estimates have remained largely unchanged for Fiscal Years 2015, 2016 and 2017. ***The August 2015 Revenue Estimating Conference results have been used for purposes of this Report. Revenue forecasts are expected to be reviewed and revised by the Revenue Estimating Conferences that begin in December 2015 and this Report will be updated once the results become available.*** Forecasted revenue growth could be tempered by geopolitical uncertainty and its effect on the U.S. and international economies and a change in the Federal Reserve's current accommodative monetary policy which is expected in December 2015.

General revenues, as well as specific tax revenues pledged to various bond programs (such as gross receipts taxes pledged to the PECO bonds, motor fuel taxes pledged to Right-of-Way bonds, and dedicated percentages of documentary stamp tax collections pledged to the Florida Forever and Everglades Restoration bond programs), are available for debt service. Historical and short-term projections of revenues available for debt service, broken down by source, are provided in Figure 13. The projection of revenues available for debt service reflects forecasts adopted at the August 2015 Revenue Estimating Conferences.

Total revenues available in Fiscal Year 2015 totaled $35.4 billion or $1.7 billion more than the $33.7 billion available in Fiscal Year 2014. The increase in total available revenues results in an improvement in the projected benchmark debt ratio.

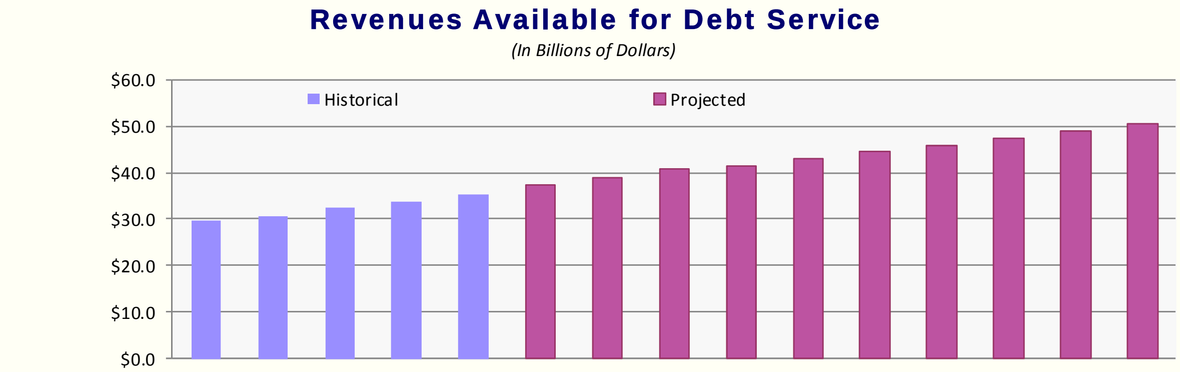
Projected Revenue Available for State Tax-Supported Debt

(In Millions of Dollars)

	Actual		Projection		
Fiscal Year	**2014**	**2015**	**2016**	**2017**	**2018**
Revenue Available:					
General Revenue	$ 26,198.0	$ 27,681.1	$ 28,414.1	$ 29,756.2	$ 31,189.3
Less : Documentary Stamp Tax Included Below	(603.7)	(756.3)	(755.1)	(791.8)	(845.5)
Net General Revenue	$ 25,594.3	$ 26,924.8	$ 27,659.0	$ 28,964.4	$ 30,343.8
Specific Tax Revenue					
Gross Receipts	1,005.4	1,152.4	1,183.6	1,203.5	1,226.0
Motor Vehicle License	557.5	659.6	610.4	622.0	634.4
Lottery	1,463.3	1,479.0	1,507.8	1,517.6	1,538.3
Documentary Stamp Tax	1,048.3	1,229.1	2,334.4	2,506.3	2,675.4
Motor Fuel Tax	1,198.3	1,285.3	1,298.2	1,332.1	1,379.5
Motor Vehicle License-Surcharge	17.0	24.9	18.4	18.4	18.4
Tax on Pollutants-IPTF	193.0	198.4	204.1	208.1	211.7
University Net Bldg Fees & Cap. Impr. Fees	55.8	54.0	54.5	55.0	55.6
Community College Cap. Impr.Fees	34.9	36.4	37.9	39.4	40.9
Title Fees	200.0	200.0	200.0	200.0	200.0
Federal Reimbursements for Transportation	2,331.0	2,104.7	2,083.6	2,343.6	2,575.2
Other Sources					
Designated for P3 Debt Payments	-	2.5	-	39.7	7.8
Total State Revenue Available	**$ 33,698.7**	**$ 35,351.1**	**$ 37,191.8**	**$ 39,050.1**	**$ 40,906.9**

Figure 13

Figure 14 sets forth a five-year history and ten-year estimate of revenues available to pay debt service. Consistent improvement in the State's economy since Fiscal Year 2011 has positively affected revenues available for debt service and the projected benchmark debt ratio.



August 2015	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Available Revenues	$ 29.6	$ 30.7	$ 32.3	$ 33.7	$ 35.4	$ 37.2	$ 39.0	$ 40.9	$ 41.5	$ 42.8	$ 44.4	$ 45.8	$ 47.3	$ 48.9	$ 50.5

Figure 14

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BENCHMARK DEBT RATIO

The metric used for the benchmark in the debt affordability analysis is the ratio of debt service to revenues available to pay debt service. The policy guidelines established by the Legislature include a 6% target and a 7% cap for the benchmark debt ratio. ***Figure 15 tracks both the historical and projected benchmark debt ratio.*** The benchmark debt ratio increased significantly between Fiscal Years 2006 and 2009 as revenues declined during the Great Recession. Following Fiscal Year 2010, the benchmark debt ratio gradually declined when revenues improved and debt service payments remained flat. ***The benchmark debt ratio improved slightly in Fiscal Year 2015 to 5.58% remaining under the 6% target for the second consecutive year*** because of increased revenue collections.

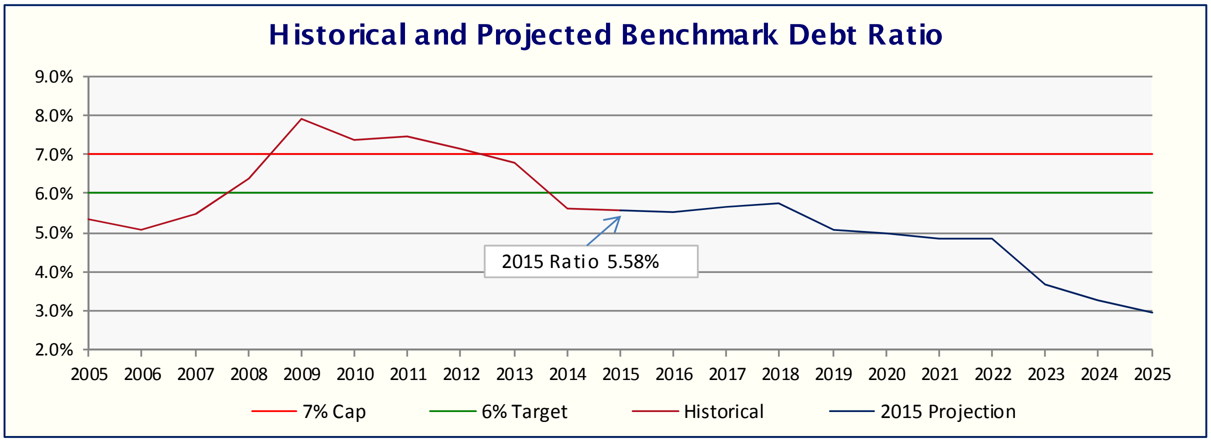


Figure 15

The projected benchmark debt ratio for the next ten years, shown in Figure 16, is based on the August 2015 revenue forecasts and projected debt issuance as of the date of this Report. The Revenue Estimating Conferences scheduled to begin in December 2015 are expected to revise the general revenue forecast, and projections of the benchmark debt ratio will be updated accordingly.

Benchmark Debt Ratio Projection

	Actual 2014	Actual 2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
2015 Projection	5.60%	5.58%	5.51%	5.68%	5.76%	5.07%	4.99%	4.83%	4.83%	3.66%	3.28%	2.97%

Figure 16

The benchmark debt ratio improved to 5.58% in Fiscal Year 2015 below the 6% target for the second consecutive year. Projections show the benchmark debt ratio remaining below the 6% policy target over the forecast period reflecting lower projected issuance and steady increases in forecasted revenue collections.

Projected bond issuance excludes any additional borrowing for PECO, Florida Forever, and additional PPP projects entered into by the Department of Transportation as the amounts and timing of debt issuance under these programs are unknown. ***The projected improvement in the benchmark debt ratio is dependent on realizing the revenue growth projected by the Revenue Estimating Conference and foregoing new bond authorizations beyond those included in projected borrowing plans.***

CHANGE IN DEBT CAPACITY

The final step in the debt affordability analysis is estimating future debt capacity. Debt capacity as shown below in Figure 17 is based on projected issuance as of the date of this Report and the August 2015 revenue projections. Debt capacity can change significantly due to changes in revenue estimates reflecting a changing economic environment. ***With the benchmark debt ratio remaining below the 6% policy target in Fiscal Year 2015 and with a significant reduction in projected debt issuance over the next 10 years, a substantial amount of debt capacity is available for future bonding.***

Debt Capacity Analysis Ten-Year Projection

6% Target; 7.0% Cap

(In Millions of Dollars)

	6% Target	7% Cap
Total Debt Capacity Available	$ 21,975.0	$ 29,550.0
Estimated Bond Issuance	1,328.7	1,328.7
Net Debt Capacity Available	$ 20,646.3	$ 28,221.3

Figure 17

Figure 18 shows that over the next ten years, nearly $22 billion in bonding capacity is available based on the 6% benchmark debt ratio target. As shown previously, projected debt issuance under existing bond programs is approximately $1.3 billion for the next ten fiscal years. As a result, approximately $20.6 billion of debt capacity is available over the next ten years (a $5.9 billion increase in available debt capacity over last year's estimate), which is attributable to higher revenue estimates. Assumptions for projected issuance excludes any additional borrowing for PECO, Florida Forever, and additional PPP projects entered into by the Department of Transportation as the amounts and timing of debt issuance under these programs are unknown. Also shown in Figure 18 is an estimated $28.2 billion in available capacity to address State infrastructure needs under the 7% benchmark debt ratio cap over the next ten years.

Projections in this Report indicate ***the benchmark debt ratio will remain consistently below the 6% target through 2025, which provides flexibility for the State to issue additional debt while maintaining compliance with the 6% policy target.*** However, the State's debt policy was modified in December 2012, requiring state agencies to show a return on investment or other appropriate quantitative metrics as justification for bond-financed projects. This policy change creates a more rigorous standard to justify using bonding capacity and reinforces the principle that ***estimated debt capacity should be considered a scarce resource and used sparingly to provide funding for critical State infrastructure needs.*** Once used, the capacity is not available again for 20 to 30 years.

DEBT RATIO COMPARISON

The municipal bond market evaluates a government's debt position with four primary debt ratios: debt service to revenues; debt per capita; debt to personal income; and net tax-supported debt as a percentage of a state's gross domestic product ("GDP"). Florida's debt ratios are compared to national and peer group medians where the State's peer group is comprised of the eleven most populous states. ***Florida's debt ratios as shown in Figure 18 are lower than peer group averages for each metric and are generally consistent with national averages.***

Debt Ratios
2014 Comparison of Florida to Peer Group and National Medians

	Net Tax-Supported Debt Service as a % of Revenues	Net Tax-Supported Debt Per Capita	Net Tax-Supported Debt as a % of Personal Income	Net Tax-Supported Debt as a % of GDP
Florida	5.60%	$1,029	2.40%	2.42%
Peer Group Mean	6.54%	$1,684	3.55%	3.07%
National Median	5.30%	$1,012	2.60%	2.21%

Figure 18

Figure 19 details the Eleven Most Populous State Peer Group Comparison for the four debt ratios relative to net tax-supported debt. ***Of the metrics below, the biggest improvement occurred in the Debt Service as a Percent of Revenues category where Florida's relative ranking moved to 7th from 5th. Florida maintained its position in the 8th and 5th spots, respectively, for the other categories.***

2014 Debt Ratios Comparison of Eleven Most Populous States

	Rank	Net Tax-Supported Debt Service as a % of Revenues	Rank	Net Tax-Supported Debt Per Capita	Rank	Net Tax-Supported Debt as a % of Personal Income	Rank	Net Tax-Supported Debt as a % of State GDP	General Obligation Ratings Fitch/Moody's/S&P
New York	1	11.40%	2	$3,092	2	5.70%	3	4.66%	AA+/Aa1/AA+
Illinois	2	10.30%	3	$2,681	2	5.70%	2	4.79%	BBB+/Baa1/A-
New Jersey	3	8.90%	1	$4,138	1	7.40%	1	6.81%	A/A2/A
California	4	7.90%	4	$2,407	4	5.10%	4	4.24%	A/Aa3/A+
Georgia	5	6.70%	7	$1,043	5	2.80%	6	2.32%	AAA/Aaa/AAA
Ohio	6	5.80%	6	$1,109	6	2.70%	7	2.27%	AA+/Aa1/AA+
Florida	**7**	**5.60%**	**8**	**$1,029**	**7**	**2.40%**	**5**	**2.42%**	**AAA/Aa1/AAA**
Pennsylvania	8	5.20%	5	$1,117	7	2.40%	8	2.21%	AA-/Aa3/AA-
North Carolina	9	4.30%	10	$739	9	1.90%	10	1.56%	AAA/Aaa/AAA
Michigan	10	3.20%	9	$758	9	1.90%	9	1.74%	AA/Aa1/AA-
Texas	11	2.60%	11	$406	11	1.00%	11	0.71%	AAA/Aaa/AAA
Median		**5.80%**		**$1,109**		**2.70%**		**2.32%**	
Mean		**6.54%**		**$1,684**		**3.55%**		**3.07%**	
National Median		**5.30%**		**$1,012**		**2.60%**		**2.21%**	

Figure 19

Pension Obligations

The pension system is relatively well-funded with a funded ratio of 86.6% at June 30, 2014 based on the actuarial value of assets. For Fiscal Years 2014, 2015 and 2016, Florida has fully funded its required contribution to the pension system following a decision to underfund this contribution for budget relief during the Great Recession. Rating agencies continue to downgrade the State of Illinois (most recently to Baa1 from A3 by Moody's Investors Service) and maintain negative outlooks on New Jersey, Pennsylvania and Illinois due to the magnitude and poor management of the pension obligation. Annual pension contributions are viewed as long-term fixed costs by rating agencies, and like debt service, potentially crowd-out other expenditures and create structural budget imbalance if not managed prudently. As a result, ***management and funding of the pension system are an important aspect of evaluating Florida's credit rating.***

Rating agencies have developed quantitative methodologies to evaluate a state's pension liabilities and integrate them into their credit analysis. Moody's and Fitch each employ various "adjustments" to reported pension liabilities for greater comparability across the state sector including application of a common rate of return to the pension system's investments. Additionally, for multi-employer plans like Florida's, Moody's and Fitch allocate the unfunded liability to all participating governments, attributing only a portion to the State. These adjusted net pension liabilities ("ANPL") are analyzed relative to the economic metrics used to evaluate debt obligations among Florida's peer group. As shown in Figure 20, Florida's adjusted pension liability of about $18.6 billion falls significantly below the median of nearly $32.2 billion for the largest states with ***Florida having the lowest ratio in the peer group when comparing the ANPL to personal income, per capita, and GDP; and actuarially required contribution as a percentage of revenues.*** Moody's has yet to publish Fiscal Year 2014 data, but Florida's metrics are expected to slightly improve relative to those presented below for Fiscal Year 2013.

2013 Pension Metrics Comparison of Eleven Most Populous States

Adjusted Net Pension Liabilities ("ANPL") and Actuarial Required Contribution ("ARC") Medians

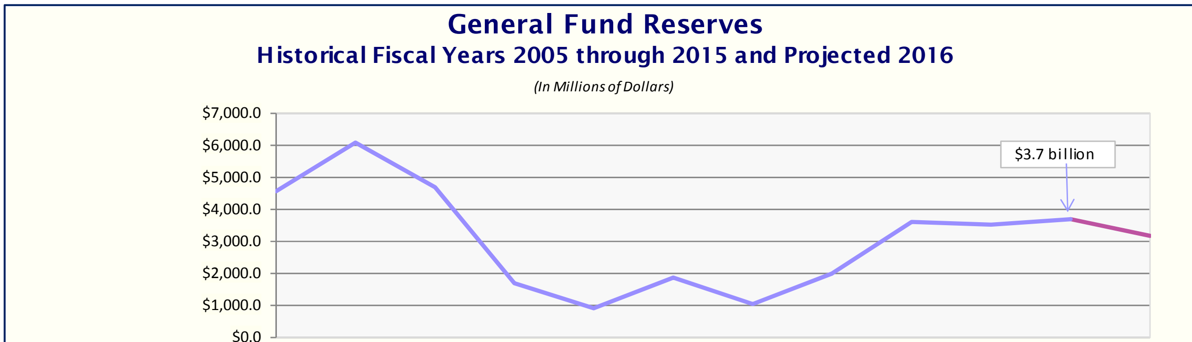
State	Rank	ANPL (in Millions)	Rank	ANPL Per Capita	Rank	ANPL as a % of Revenues	Rank	ANPL as a % of Personal Income	Rank	ANPL as a % of State GDP	Rank	ARC as % of Revenues
California	1	$ 189,442	4	$ 4,942	5	92.5%	4	10.2%	4	8.6%	3	5.6%
Illinois	2	167,582	1	13,009	1	268.3%	1	27.7%	1	23.3%	1	11.2%
Texas	3	104,422	5	3,948	4	102.8%	5	9.0%	5	6.8%	5	3.8%
New Jersey	4	87,644	2	9,848	2	179.7%	2	17.8%	2	16.1%	2	8.1%
Pennsylvania	5	76,927	3	6,022	3	129.7%	3	13.0%	3	11.9%	4	4.9%
New York	6	32,192	8	1,638	11	24.2%	10	3.0%	10	2.5%	6	1.5%
Michigan	7	26,854	6	2,714	7	58.6%	6	6.9%	6	6.2%	6	1.5%
Georgia	8	22,099	7	2,212	6	60.4%	7	5.8%	7	4.9%	8	1.4%
Florida	**9**	**18,657**	**11**	**954**	**10**	**27.3%**	**11**	**2.3%**	**11**	**2.3%**	**11**	**0.6%**
Ohio	10	16,859	10	1,457	9	33.0%	9	3.5%	9	3.0%	10	0.7%
North Carolina	11	14,620	9	1,485	8	34.9%	8	3.8%	8	3.1%	9	1.3%
Median		**$ 32,192**		**$ 2,714**		**60.4%**		**6.9%**		**6.2%**		**1.5%**
Mean		**$ 68,845**		**$ 4,384**		**91.9%**		**9.4%**		**8.1%**		**3.7%**
National Median		**$ 12,110**		**$ 3,010**		**60.3%**		**7.7%**		**6.0%**		**2.0%**

Figure 20

Rating agencies have not coalesced around a standard methodology for treatment of other post-employment benefits ("OPEB"). Generally the analysis and credit implications of OPEB costs revolve around whether benefits are contractually or constitutionally protected similar to pension benefits or, if like Florida, benefits are discretionary and included in the budget on a pay-as-you-go basis. As a result, the implicit subsidy associated with Florida's OPEB does not materially affect its long term liability profile.

LEVEL OF RESERVES

An important measure of financial health and ability to respond to unforeseen financial challenges is the level of general fund reserves. The State's unspent general revenue combined with the Budget Stabilization Fund are collectively referred to as herein as the "General Fund Reserves." Figure 21 shows the level of the State's General Fund Reserves over the last ten fiscal years, as well as the projected June 30, 2016 General Fund Reserve balance. ***Historically, Florida's level of reserves resulted from conservative financial management practices, and rating agencies cite financial flexibility provided by reserves as a key credit strength.*** The traditional measure used by credit analysts, investors and rating agencies to assess the strength of the State's financial position is the ratio of General Fund Reserves to general revenues, expressed as a percentage.



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund Reserves	$4,569.8	$6,081.2	$4,682.1	$1,674.6	$ 912.7	$1,854.5	$1,027.7	$2,005.1	$3,600.6	$3,506.0	$3,679.0	$3,157.2
Reserves as % of Revenues	18.28%	22.47%	17.73%	6.95%	4.34%	8.62%	4.55%	8.49%	14.21%	13.37%	13.29%	11.11%

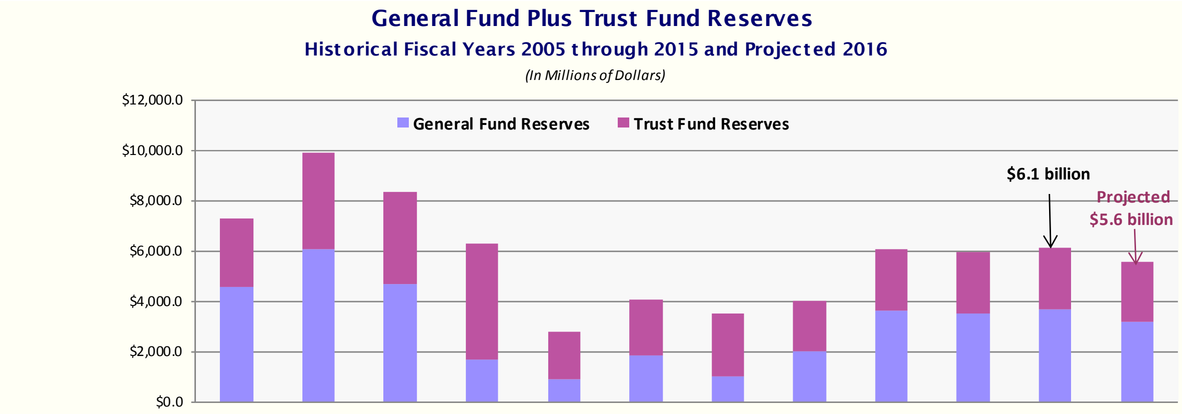
Figure 21

General Fund Reserves

Florida's General Fund Reserves increased substantially between Fiscal Years 2005 and 2006 to an extraordinarily high level of $6.1 billion or 22.5% of general revenues. The substantial growth in reserves strengthened the State's financial position and was cited as a credit strength in State rating upgrades in early 2005. From Fiscal Years 2007 to 2009 when Florida experienced a precipitous decline in its major operating revenues (sales tax and documentary stamp taxes) due to the Great Recession, General Fund Reserves were drawn down to mitigate spending reductions. Following that three-year period, General Fund Reserves increased in Fiscal Year 2010 due to revenue enhancements and federal stimulus funding. After using reserves in Fiscal Year 2011 to balance the budget, improving revenue collections in each year since as well as an informal policy to retain $1 billion in unspent general revenue, has favorably affected General Fund Reserves. ***General Fund Reserves increased at Fiscal Year-end 2015 approximately $175 million to nearly $3.7 billion or 13.3% of general revenues.*** Fiscal Year 2015 general fund balance reflects the fourth repayment to the Budget Stabilization Fund. ***The Fiscal Year 2016 budgeted spending plan includes using approximately $500 million of General Fund Reserves with a projected draw down to $3.2 billion or 11.1% of general fund revenues.***

Trust Fund Reserves

Prior to 2009, trust fund balances that could be considered a "reserve," such as moneys in the Lawton Chiles Endowment Fund and other trust fund balances, were not included in measuring the State's reserves. The State has historically created trust funds and dedicated specified revenues for particular purposes. Well over half of the State's budget is comprised of trust-funded programs and activities. Established budgetary practices identify excess trust fund balances that are available and can be used for other purposes if directed by the Legislature. In fact, the Legislature has routinely swept available trust fund balances to supplement the general fund budget during periods of economic weakness to offset declining revenue collections. Therefore, including trust fund balances in the reserve analysis provides a more holistic picture of the State's financial flexibility. Figure 22 shows the impact of including trust funds in the reserve analysis over the last ten years.



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund Reserves	$ 4,569.8	$ 6,081.2	$ 4,682.1	$ 1,674.6	$ 912.7	$ 1,854.5	$ 1,027.7	$ 2,005.1	$ 3,600.6	$ 3,506.0	$ 3,679.0	$ 3,157.2
Trust Fund Reserves	2,714.0	3,831.5	3,684.7	4,612.0	1,890.0	2,188.0	2,494.0	2,018.0	2,461.0	2,461.9	2,462.0	2,396.0
Total Reserves	$ 7,283.8	$ 9,912.7	$ 8,366.8	$ 6,286.6	$ 2,802.7	$ 4,042.5	$ 3,521.7	$ 4,023.1	$ 6,061.6	$ 5,967.9	$ 6,141.0	**$ 5,553.2**
Reserves as % of Revenues	29.14%	36.63%	31.69%	26.07%	13.33%	18.78%	15.60%	17.03%	23.92%	22.76%	22.18%	**19.54%**

Figure 22

Including trust fund balances better reflects the State's true financial flexibility available from reserves. Total reserves (including trust fund balances) of approximately $6.1 billion or 22.2% of general revenues at June 30, 2015 were considered strong by rating agencies. The adopted budget for Fiscal Year 2016 includes ***the use of unspent General Revenue to supplement expected revenue collections*** and the one-time use of trust fund balances equal to $189 million. As a result, ***total reserves at June 30, 2016 are projected to decline to $5.6 billion or 19.5% of general revenues.***

REVIEW OF CREDIT RATINGS

The State's credit rating is a rating agency's assessment of the willingness and ability to timely repay debt obligations. ***Credit ratings play an integral role in the municipal bond market and are one factor that affects the State's borrowing cost on debt offerings.*** Each rating agency considers four primary factors in its analysis: governance, debt and liability profile, budget and financial management, and economic indicators. Each agency assesses the four factors on a quantitative and qualitative basis relative to the state's peers within its rating category. Despite the standardization of credit factors, each are evaluated slightly differently based on the agency's published criteria.

State of Florida
General Obligation Credit Ratings

	Rating	Outlook
Standard & Poor's	AAA	Stable
Fitch Ratings	AAA	Stable
Moody's Investors Service	Aa1	Stable

Figure 23

During the fiscal year ended June 30, 2015, the three major rating agencies, S&P, Fitch, and Moody's each affirmed the State's AAA, AAA, and Aa1 general obligation ratings and Stable Outlook, respectively. The stability in the State's general obligation ratings and credit strengths reflect each agency's view including: economic recovery and population growth that has exceeded the national average; improved revenue collections that currently outpace estimates used to fund the budget; greater financial flexibility through restoration of reserve levels following the depletion from the peak during the Great Recession; and relatively well-funded pension system. Additionally, the State is continually recognized for its conservative financial and debt management practices, including the Legislature's consistent and prompt attention to addressing negative revenue estimates during the downturn to maintain a balanced budget. The rating agencies also note the broad employment growth, with all sectors experiencing positive year-over-year improvement as of July 2015. The existing ratings are further bolstered by strong long-term economic fundamentals including a low cost of living, attractive tourist and retirement destinations, and favorable geographic location. The State's ongoing credit challenges include maintenance of structural budget balance despite absorbing spending pressures; ongoing improvement in reserve balances following restoration since the end of the Great Recession; and the potential negative fiscal and economic consequences or unmanageable assessments caused by a catastrophic hurricane. In addition, the rating agencies will continue to evaluate how management of long term liabilities such as PPP contracts and pension funding will affect the State's budget. ***Rating agencies will continue to evaluate the State's ability to meet revenue projections, maintain improved reserves and structural budget balance given reliance on economically sensitive sales tax collections, Florida's primary operating revenue.***

CONCLUSION

Total State direct debt outstanding as of June 30, 2015 was $25.7 billion, a $1.5 billion increase from the prior fiscal year because of adding the payment obligations for the I-4 Project. However, total debt has still decreased by $2.5 billion since June 30, 2010. Indirect debt decreased by $600 million during Fiscal Year 2015, declining to $11.6 billion from $12.2 billion at June 30, 2014. ***Projected future debt issuance primarily for transportation totals $1.3 billion.*** Projected issuance is driven by DOT's planned use of the Right-of-Way and Bridge Acquisition bonding program. Projections exclude any additional borrowing for PECO, Florida Forever, and additional PPP projects entered into by the Department of Transportation as the amounts and timing of debt issuance under these programs are unknown. ***Florida's debt is considered moderate and is manageable at the current level.***

Reserves are critical and provide the financial flexibility necessary to address financial uncertainties. At the end of Fiscal Year 2015, ***General Fund Reserves were $3.7 billion or 13.3% of general revenues. General Fund Reserves are projected to decrease to $3.2 billion at June 30, 2016, a projected $500 million decrease.*** Trust fund balances also provide reserves the State can utilize, if necessary. Including trust fund reserves augments the General Fund Reserves and better reflects the State's level of financial flexibility. ***Total reserves, including trust fund balances, were considered strong by rating agencies at $6.1 billion or 22.2% of general revenues at June 30, 2015.*** Total reserves are expected to decrease, but remain sufficient at $5.9 billion or 19.5% of general revenues at June 30, 2016.

PPPs are an increasingly popular financing mechanism that add short and long-term liabilities to the State's balance sheet. PPPs refer to a multitude of various contractual arrangements that must be carefully analyzed to determine its financial impact on the State. In some cases, the PPP contracts create mandatory financial obligations that are properly reflected as State debt because of the encumbrance of future State resources. PPPs have been used most frequently by the Department of Transportation and universities. ***PPPs have added approximately $6.0 billion in State debt since inception with about $5.1 billion currently outstanding.*** PPPs are not subject to the normal approval process required for traditional debt issuances and, therefore, are not subject to the same independent oversight and scrutiny. Additionally, the debt may not comply with the State's debt management policies which promote prudent financial management practices and are designed to minimize financing costs.

Credit ratings play an integral role in the municipal bond market and are one factor that affects the State's borrowing costs. ***S&P, Fitch, and Moody's each affirmed their respective ratings of AAA, AAA, and Aa1 and Stable "Outlook" on the State's general obligation debt during Fiscal Year 2015.*** Rating agencies cite credit strengths for the State as adhering to structural budget balance while absorbing spending pressures; improved revenue performance; strong fiscal and debt management practices; restoring reserves that improve financial flexibility; a relatively well-funded pension system; and broad employment and population growth that both currently exceed the U.S. growth rates. However, the State's ratings are sensitive to revenue volatility due to its primary reliance on sales tax to fund the budget and the potential negative fiscal and economic consequences of a catastrophic hurricane. The State's ability to maintain budget balance and manage long term liabilities related to the pension system and PPP contracts will also continue to factor into the credit analysis of the State.

Annual debt service requirements on net tax-supported debt increased by $84 million to $2.0 billion for Fiscal Year 2015 from $1.9 billion in Fiscal Year 2014. The increase in Fiscal Year 2015 debt service requirements is due to the refinement of the way long-term PPP obligations are reflected. Projected debt service is expected to remain at approximately $2.0 billion for Fiscal Year 2016 before increasing to a high of $2.3 billion in Fiscal Year 2018 reflecting the payment obligations for the I-4 Project.

Revenues available for debt service increased $1.7 billion in Fiscal Year 2015 to $35.4 billion. The economic recovery has stabilized, as evidenced by an increased forecast for sales tax and documentary stamp tax collections. The State's forecast remains vulnerable to a change in the Federal Reserve's current accommodative monetary policy or potential geopolitical uncertainty and its effect on the U.S. and international economies. ***The August 2015 revenue estimates were used to prepare the 2015 Report.*** The Revenue Estimating Conference will begin meeting in December 2015 to update and revise revenue forecasts.

The benchmark debt ratio improved over the past year to 5.58%, reflecting increased revenues available to pay debt service. The projected benchmark debt ratio shows the ratio remains below the 6% policy target for the foreseeable future. The improvement in the benchmark debt ratio is attributable to the growth in revenues and limited new money issuance, resulting in annual debt service of approximately $2.0 billion through Fiscal Year 2016. Annual debt service is projected to increase to $2.3 billion in Fiscal Year 2018 because of adding PPP obligations for the I-4 Project causing a small increase in the benchmark debt ratio. The projected benchmark debt ratio should be used as a general guide and considered by the Legislature when evaluating future debt authorization.

A comparison of 2014 debt ratios to national and peer group averages indicate that Florida's debt ratios are consistent with national and lower than peer group averages for all debt metrics. Improvement in the State's ranking among its peer group over the last ten years has resulted in the State having the seventh lowest ratio of debt service to revenues and debt as a percentage of personal income. The State's ranking for debt per capita remained eighth lowest and fifth in debt as a percentage of state Gross Domestic Product ("GDP").

The pension system is relatively well-funded with a funded ratio of 86.6% at June 30, 2014 based on the actuarial value of assets. Annual pension contributions are viewed as long-term fixed costs by rating agencies, and like debt service, potentially crowd-out other expenditures and create structural budget imbalance if not managed prudently. As a result, ***management and funding of the pension system are an important aspect of evaluating Florida's credit rating.***