Debt Report

State of Florida

2021

Prepared by:
The Division of Bond Finance
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Executive Summary

The State of Florida Debt Report (the "Report") is prepared annually by the Division of Bond Finance in accordance with Section 215.98, Florida Statutes. The Report reviews the State's debt position and how future debt service payments, projected 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 such as pension liabilities and reserves, as well as developments in alternative financing techniques.

The debt affordability analysis contained in the Report is based on the ratio of debt service to revenues available to pay debt service. Legislative policy guidelines establish a 6% target and a 7% limit for the State's benchmark debt ratio.

Debt and Debt Service Payments

Total State direct debt outstanding as of June 30, 2021, was $18.4 billion—an $825 million decrease from the prior fiscal year. This continues a downward trend which began in 2011 totaling $9.8 billion or a 35% reduction in debt outstanding. Net tax-supported debt for programs supported by State tax revenues or tax-like revenues totaled $14.7 billion. Self-supporting debt, representing debt secured by revenues generated from operating bond-financed facilities, totaled $3.7 billion. Indirect State debt, debt secured by revenues not appropriated by the State or debt obligations issued by a separate legal entity, was approximately $9.6 billion.

Approximately $1.8 billion of net tax-supported debt is projected to be issued over the next ten years, primarily for financing transportation projects. Projections do not include any additional future borrowing for Public Education Capital Outlay, Everglades Restoration or DOT Public Private Partnership projects because there is no expected borrowing for these programs. Projected debt issuance over the next ten years has decreased by approximately $844 million relative to the $2.7 billion projected issuance in the 2020 Debt Report, primarily as a result of decreased projected borrowing for transportation projects. There has been a significant decrease in projected debt issuance over the past decade reflecting less reliance on debt to finance infrastructure. In Fiscal Year ("FY") 2010, projected debt issuance was $7.2 billion compared to current projected debt issuance of only $1.8 billion.

Notwithstanding the decrease in debt outstanding over the past decade, the annual debt service payments have remained relatively stable in the $2.0-2.2 billion range. Annual debt service payments on tax-supported debt decreased by $222 million in FY 2021 to $2.0 billion but increase in FY 2022 to $2.2 billion.

Revenues

Changes in revenues have a significant impact on the calculation of the State's debt ratio and available debt capacity. After declining by $1.7 billion, or 3.9%, in FY 2020 as a result of the COVID-19 pandemic, revenues available to pay debt service significantly rebounded in FY 2021, with General Revenues exceeding pre-pandemic forecasts. Fiscal Year 2021 revenues

available for debt service totaled $47.5 billion, approximately $6.3 billion, or 15.0% more than FY 2020. In addition, the State received substantial federal support to address costs related to COVID-19 and revenue losses caused by the restrictions required to combat the spread of the virus. This includes a State allocation of $4.6 billion Coronavirus Relief Funds ("CRF") under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") received in FY 2020 and $4.4 billion received to-date of an $8.8 billion allocation of the American Rescue Plan Act of 2021 ("ARPA") funds. These additional federal resources are not included in revenues available for debt service for this analysis; however, they served as a cushion to offset the fiscal impacts of the COVID-19 pandemic to the State and allowed the State to enhance reserves. General Revenues are projected to grow by an additional $600 million, or 1.7%, in the current FY 2022.

Benchmark Debt Ratio and Debt Capacity

As demonstrated by the past two FYs, the benchmark debt ratio – debt service to revenues available to pay debt service - is sensitive to changes in state revenues caused by economic downturns and subsequent recoveries. Following a temporary increase in FY 2020 due to the negative effects of COVID-19 on State revenues, the benchmark debt ratio decreased significantly in FY 2021 to 4.30% from 5.49%, largely a result of the significant rebound in revenues generated by the State's strong economic recovery. The benchmark debt ratio has remained below the 6% policy target for eight consecutive years. Projections for the benchmark debt ratio remain consistently below 6% through 2031 but are dependent on the projected revenue stability and continued restrained borrowing.

The total debt capacity available over the next ten years within the 6% policy target is approximately $38.3 billion. Assuming the revenue collections currently projected by the REC, there is approximately $16 billion of debt capacity available within the policy target in FY 2023. If projected revenues are not realized, debt capacity will be negatively impacted. Debt capacity should be considered a scarce resource and, once used, it is not available again for twenty to thirty years after the debt is repaid. However, significant debt issuance is likely not needed in the near-term because of the increase in federal funding made available for infrastructure investments funded on a pay-go basis.

Important Credit Factors

Credit ratings play an integral role in the municipal bond market and are one factor that affects the State's borrowing cost. Standard and Poor's ("S&P") and Moody's Investor Service (Moody's) revised their sector outlooks for U.S. States to stable, from negative, in March 2021. Both rating agencies have recognized the State's stronger than expected recovery from the economic, fiscal, and budgetary impacts of COVID-19.

All three major rating agencies affirmed the State's AAA general obligation ratings and Stable outlooks in 2021, which reflects the State's significant economic recovery and prudent budget management through the COVID-19 pandemic. In their reports, the rating agencies indicate the State will likely see lingering impacts in the leisure and hospitality sectors related to the pandemic; however, they expect the State's revenue collections to continue to grow as a result of Florida's robust recovery. The rating agencies anticipate the State will maintain healthy

reserves and continue the historical practice of making timely budget adjustments while maintaining structural budget balance to continue to support the triple-A ratings.

Reserves

General Fund Reserves (including the Budget Stabilization Fund "BSF") at the end of FY 2020 were $7.9 billion and include the federal CRF funds received under the CARES Act, which were subsequently allocated to qualifying expenditures. Without the receipt of such federal funds, General Fund Reserves would have declined to $2.4 billion at the end of FY 2020. By the end of FY 2021, General Fund Reserves increased by more than $1.5 billion to $9.4 billion or 26% of General Revenue, which rating agencies consider extremely strong.

Florida did not access the Budget Stabilization Fund ("BSF") during the COVID-19 pandemic, and transferred the $1 billion balance of the Lawton Chiles Endowment Fund (Tobacco Reserves) into the BSF in FY 2022. The discipline of setting aside sufficient funds during times of economic prosperity helped ensure that the State had adequate reserves to mitigate revenue declines caused by COVID-19. General Fund Reserves are projected to be approximately $10 billion at the end of FY 2022. Trust fund balances also serve as an additional source of reserves, augmenting the State's financial flexibility. Reserve balance projections rely on assumptions and are subject to uncertainty.

Pension Funding

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 properly. Outsized pension liabilities caused by inadequate pension contributions have contributed to downgrades of other state credit ratings. In addition to pension funded status, ratings agencies are also focused on the reasonableness of assumptions in calculating pension liabilities and how those assumptions affect required contributions and liabilities over the long-term.

This year, Florida continued to make important progress in lowering its investment return assumption and aligning with best practices. The investment return assumption, which had been lowered from 7.75% to 7.0% over the previous seven years, was reduced to 6.8%, and the amortization policy for the unfunded liability was reduced from 25 years to 20 years. However, experts advise that 6.1% to 6.7% is a more realistic return assumption and other best practices on debt amortization have not been implemented.

ESG Considerations

All three rating agencies have incorporated environmental, social, and governance ("ESG") factors into their credit analysis and reports. While the State has favorable long-term social and governance characteristics, there are vulnerabilities around environmental risks. Specifically, the rating agencies highlight Florida's vulnerability to hurricanes, flooding, and sea level rise. Rating agencies are monitoring the State's actions to plan for and mitigate environmental risks, such as creating Citizens and Cat Fund to provide for a stable insurance market and additional actions taken to address climate resiliency. S&P recently highlighted actions to address water-quality and climate change as well as the appointment of the Chief

Resilience Officer as credit positives reflecting the State's continued efforts to address environmental risks. However, S&P warned that ongoing focus on environmental risks and corresponding mitigations efforts will be needed in order to maintain long-term credit quality.

Conclusion

The debt ratio remains well below the 6% target due to limited debt issuance and revenue growth. The State is well positioned with significant debt capacity available to fund critical infrastructure needs. However, available debt capacity and the ratio are sensitive to revenue declines from economic weaknesses.

The economic impact of COVID-19 on the State was significant but brief. Prudent budget management through the pandemic coupled with Florida's economic rebound and Federal COVID-19 relief funding led to steady increases in General Revenue collections and historic reserve levels. The State's management through and rebound from the economic impact of COVID-19 is reflected in Florida maintaining its triple-A credit ratings through the economic downturn. The State should continue prudent budgeting of non-recurring Federal funds on one-time, nonrecurring, strategic investments and maintaining reserve levels to ensure flexibility and stability through future economic cycles.

Introduction

The annual Debt Report is required by Section 215.98, Florida Statutes and is presented to the President of the Senate, Speaker of the House, and the chair of each appropriation committee. The analysis included in the Debt Report is a tool to guide policymakers when assessing the impact of borrowing on the State's fiscal position, helping to inform prudent decision-making regarding financing proposals and capital spending priorities.

To encourage fiscal responsibility on matters pertaining to state debt, Section 215.98, Florida Statutes, establishes a 6% target and 7% limit as policy guidelines for the benchmark debt ratio. The ratio is determined using 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 and peer metrics and evaluates the impact of issuing additional debt given current economic conditions reflected in revenue forecasts.

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.

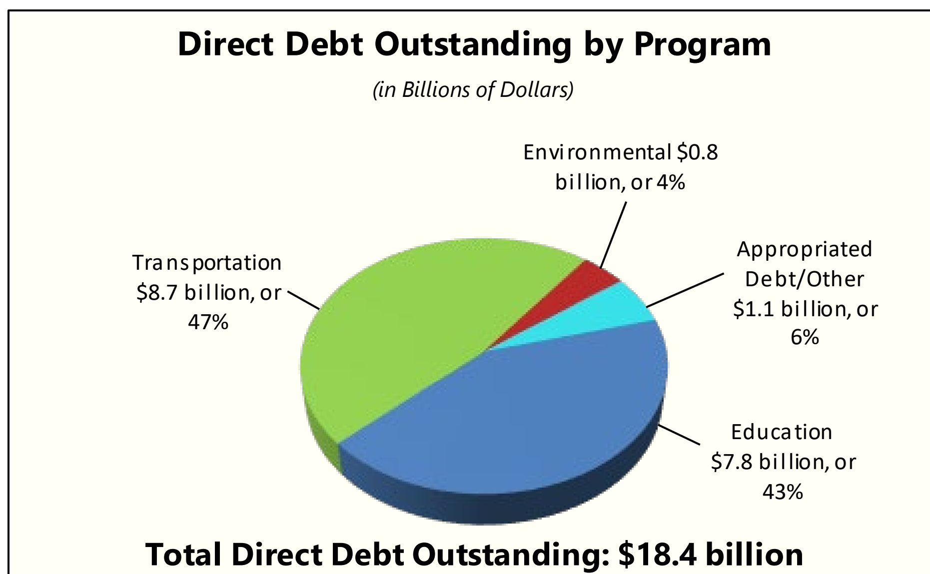
The purpose of the Report is to review the State's debt position and show how future debt issuance and revenue projections will affect the State's benchmark debt ratio. Performing the debt affordability analysis enables the State to monitor changes in its debt position.

The Report provides information as of June 30, 2021, unless otherwise noted. Updates to the analysis occur as REC forecasts are revised in order to ensure the Legislature has the latest information available when making critical future borrowing decisions during the appropriations process.

Outstanding State Debt

The State had $18.4 billion in total direct debt outstanding as of June 30, 2021. Historically, educational facilities financed with bonds represented the largest portion of total direct debt. However, recent investments in State transportation infrastructure have resulted in transportation becoming the largest portion of total direct debt beginning in FY 2020. Transportation infrastructure accounted for $8.7 billion or 47% of total debt outstanding as of June 30, 2021. The largest part of transportation debt reflects the State's payment obligations for financing transportation infrastructure through Public Private Partnerships ("PPPs"), $3.2 billion. Contributing to the next largest portion of transportation debt are toll roads primarily financed with bonds for Florida's Turnpike Enterprise, $2.7 billion, and Right-of-Way Acquisition and Bridge Construction bonds, $2.0 billion. Educational facilities financed with bonds, represent $7.8 billion or 43% of total debt outstanding. The bulk of outstanding debt for educational facilities is comprised of PECO bonds, which accounted for $6.1 billion. The August 2021 PECO Estimating Conference estimated the current borrowing capacity at approximately $4 billion. Despite the estimated capacity, no new bonding for PECO has been included in this report or debt capacity analysis. Outstanding environmental program bonds of $800 million includes the Florida Forever, Everglades Restoration, Florida Water Pollution Control, and Inland Protection programs.

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 with $2.6 billion of outstanding debt. The remaining self-supporting debt relates to other toll facilities, 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, 2021

(In Millions Dollars)

Debt Type	Amount
Net Tax-Supported Debt	$14,668.3
Self-Supporting Debt	3,711.6
Total State Debt Outstanding	**$18,379.8**

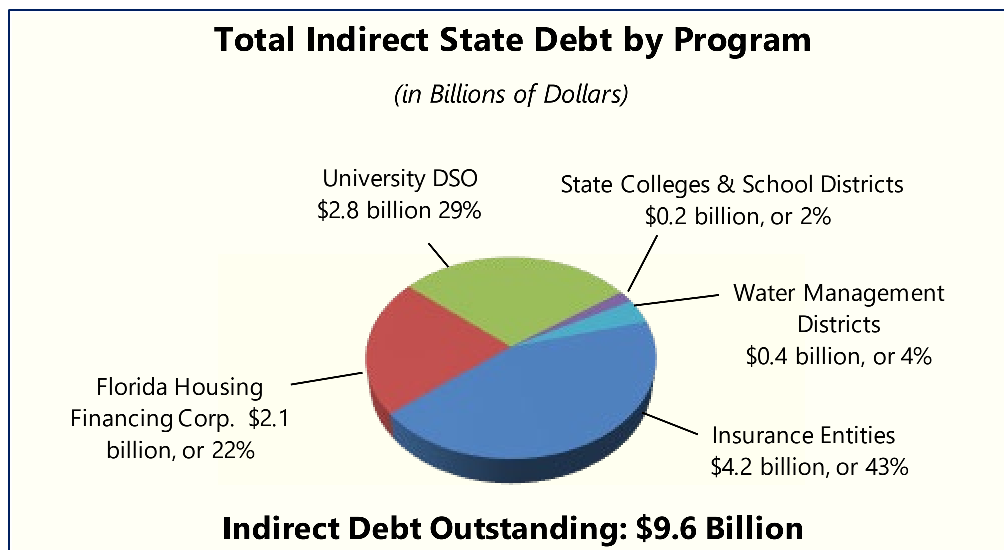
Net Tax-Supported Debt		
Education		
Public Education Capital Outlay	$6,073.0	
Capital Outlay	68.3	
Lottery	661.3	
University System Improvement	75.8	
University Mandatory Fee	53.0	
State (Community) Colleges	53.7	
Total Education		$6,985.1
Environmental		
Florida Forever Bonds	460.7	
Everglades Restoration Bonds	141.8	
Inland Protection	16.6	
Total Environmental		$619.1
Transportation		
Right-of-Way Acquisition and Bridge Construction	2,005.5	
State Infrastructure Bank	7.0	
GARVEE	226.1	
DOT Financing Corporation	290.5	
PPP Obligations	3,156.7	
Florida Ports	269.3	
Total Transportation		$5,955.1
Appropriated Debt / Other		
Facilities	145.9	
Prisons	261.9	
Children & Families	41.5	
Lee Moffitt Cancer Center	262.4	
Law Enforcement Communication	111.0	
Master Lease	7.0	
Energy Saving Contracts	18.3	
Sports Facility Obligations	260.9	
Total Appropriated Debt / Other		$1,109.0
Total Net Tax-Supported Debt Outstanding		**$14,668.3**
Self-Supporting Debt		
Education		
University Auxiliary Facility Revenue Bonds		$800.8
Environmental		
Florida Water Pollution Control		188.1
Toll Facilities		2,722.7
Total Self-Supported Debt Outstanding		**$3,711.6**

Indirect Debt

In addition to direct debt, the State has indirect debt which represents debt secured by revenues not appropriated by the State or debt obligations of a separate legal entity. In some cases, indirect debt may represent a financial burden on Florida citizens (e.g., assessments that are pledged to the Florida Hurricane Catastrophe Fund ("Cat Fund") and Citizens Property Insurance debt). Indirect debt is not included in the State's debt ratios or the analysis of the State's debt burden.

Indirect debt of the State totaled approximately $9.6 billion as of June 30, 2021, which was approximately $2.6 billion more than the previous year. Indirect debt increased primarily due to the Cat Fund issuing $3.5 billion of pre-event bonds in FY 2021. Cat Fund and Citizens represented $4.2 billion ($3.5 billion for Cat Fund and $660 million for Citizens) or 43% of total indirect debt and consists of pre-event financings to provide cash to pay potential losses incurred following a future hurricane event. Although the State views the insurance entities as independent and responsible for their own obligations, rating agencies consider the amount of debt outstanding by the State-sponsored insurance entities integral to the State's overall credit due to the fiscal impact the insurance entity assessments could have on Floridians.

University Direct Support Organizations ("DSOs") comprised nearly $2.8 billion or 29% and Florida Housing Finance Corporation, which administers the State's affordable housing programs, accounted for $2.1 billion or 22% of total indirect debt outstanding.



Total Indirect State Debt by Program

(In Millions of Dollars)

Insurance Entities		
Florida Hurricane Catastrophe Fund Finance Corporation	$ 3,500.0	
Citizens Property Insurance Corporation	660.0	
Total		$ 4,160.0
Florida Housing Finance Corporation		
Single Family Programs	1,054.2	
Multi-Family Programs	1,068.6	
Total		2,122.8
University Direct Support Organizations		
Shands Teaching Hospital & Affiliates	1,055.0	
University of South Florida	336.3	
University of Central Florida	347.3	
Florida Gulf Coast University	158.8	
Florida Atlantic University	237.2	
North Florida	121.5	
University of Florida	225.6	
Other State Universities	298.2	
Total		2,779.9
Water Management Districts		367.6
School Districts		96.7
State (Community) Colleges and Foundations		86.4
Total State Indirect Debt		**$ 9,613.4**

Alternative Financing Techniques

Alternative financing techniques provide funding for capital projects and utilize State resources for repayment. Four alternative financing techniques are noted in this Report: DOT short-term PPP contracts; DOT long-term PPP projects; university PPP contracts; debt issued through university DSOs; and charter school transactions. Tracking and disclosing alternative financing transactions is important as they frequently commit future state resources but may not be reflected in State debt.

Short Term Contract Debt

DOT has used build-finance and design-build-finance contracts (collectively referred to 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, functionally equivalent to short-term debt. DOT generally begins making the mandatory cash availability payments from State Transportation Trust Fund ("STTF") revenues during construction but payments sometimes continue once construction is complete. DOT Contract Debt totaled approximately $164 million at June 30, 2021 with the final payment occurring in FY 2023. 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's required payments under Contract Debt have been included as State debt, but excluded from calculating the benchmark debt ratio because the term of the contract debt is generally no longer than five years and repaid within DOT's five-year Work Program. Including required payments under the contract debt in the calculation of the benchmark debt ratio would introduce near-term volatility, impairing the usefulness of the analysis as a long-term planning tool.

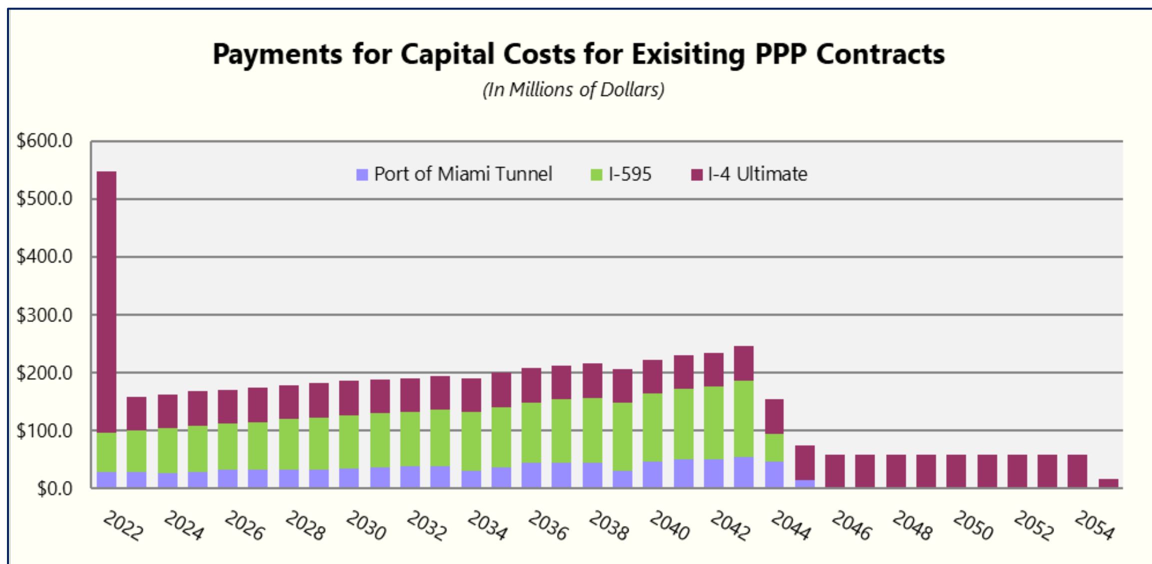
Long-Term PPP Projects

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 the 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" or mandatory, scheduled payments that commence when construction is complete and continue for 30 to 35 years. 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 $5.4 billion over the next 34 years. The maximum aggregate annual payment of $548 million for the capital costs associated with these projects is due in FY 2022, and declines significantly thereafter.

DOT and I-4 Mobility Partners (the "Concessionaire") entered into the I-4 Supplemental Agreement in FY 2020 to settle claims and disputes regarding additional project costs and delays. The Supplemental Agreement provided an additional $125 million payment to the Concessionaire to settle outstanding claims, which allegedly arose from unforeseen conditions and issues outside the Concessionaire's control, negating the risk transfer benefits used to justify the PPP model. The Supplemental Agreement also makes revisions to the schedule for Final Acceptance payments and Availability Payments, including a penalty to the Concessionaire for delayed delivery of the project.

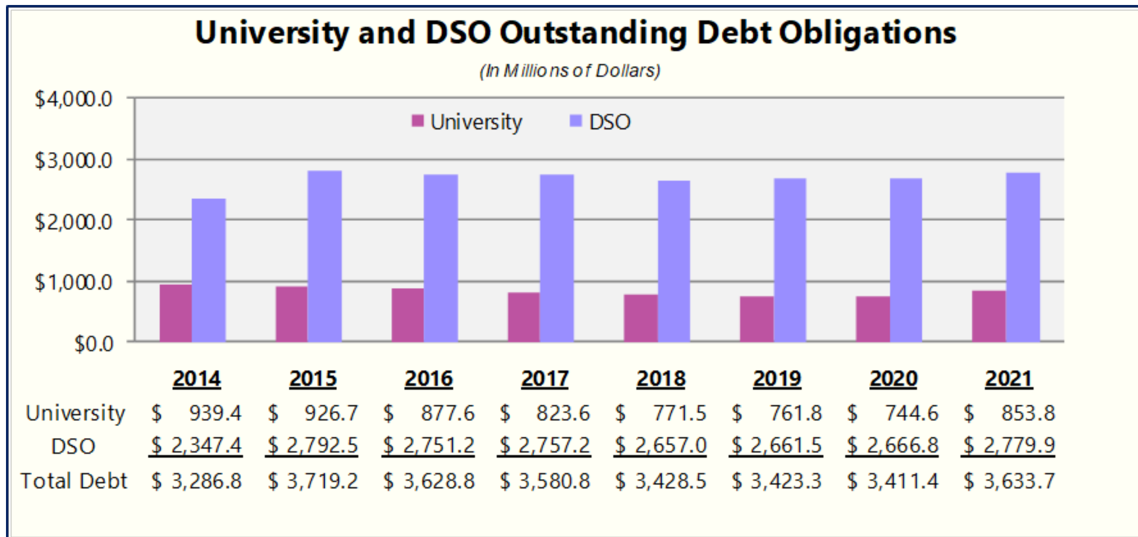
Section 334.30, Florida Statutes, requires DOT to ensure that no more than 15% of the total available federal and state funding in the STTF in any given year be obligated to required payments for contract debt and PPP contracts. The 15% limit is nearly three times the State's debt policy target of 6% on overall debt. The amount available under the 15% limit varies annually over the next ten years. The amount available under the statutory limit generates additional debt capacity of $9.9 billion within DOT's 10-year plan. If this amount were added to the State's FY 2021 benchmark debt ratio calculation, the debt ratio would increase by approximately 2.09% to 6.39%.



University DSO Obligations and PPP Agreement

State universities utilize their DSOs to support various auxiliary functions (e.g. athletics, healthcare, fundraising, research activities, etc.). DSOs can also serve as a conduit issuer or shell corporation for universities 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. Unlike transactions managed by the Division of Bond Finance, DSO transactions do not require approval by the Governor and Cabinet. Universities have increasingly used DSOs to incur debt for infrastructure projects. University DSO debt obligations are estimated to be approximately $2.8 billion at June 30, 2021, and represented 77% of university debt outstanding. Since they are repaid from non-State

revenues, University PPP and DSO debt are excluded from State direct debt in this report; if they were included, direct debt would be approximately 15% higher.



	2014	2015	2016	2017	2018	2019	2020	2021
University	$ 939.4	$ 926.7	$ 877.6	$ 823.6	$ 771.5	$ 761.8	$ 744.6	$ 853.8
DSO	$ 2,347.4	$ 2,792.5	$ 2,751.2	$ 2,757.2	$ 2,657.0	$ 2,661.5	$ 2,666.8	$ 2,779.9
Total Debt	$ 3,286.8	$ 3,719.2	$ 3,628.8	$ 3,580.8	$ 3,428.5	$ 3,423.3	$ 3,411.4	$ 3,633.7

Universities are also entering into PPP agreements for certain infrastructure projects. Each University PPP transaction is analyzed by the Board of Governors ("BOG") and the Division of Bond Finance staff, prior to execution, for compliance with the BOG PPP Guidelines. While the PPP partners may have debt associated with the project, the debt is often non-recourse to the State or the University. However, rating agencies have been taking a closer look at University PPP projects and are now incorporating the associated debt obligations in their credit analysis.

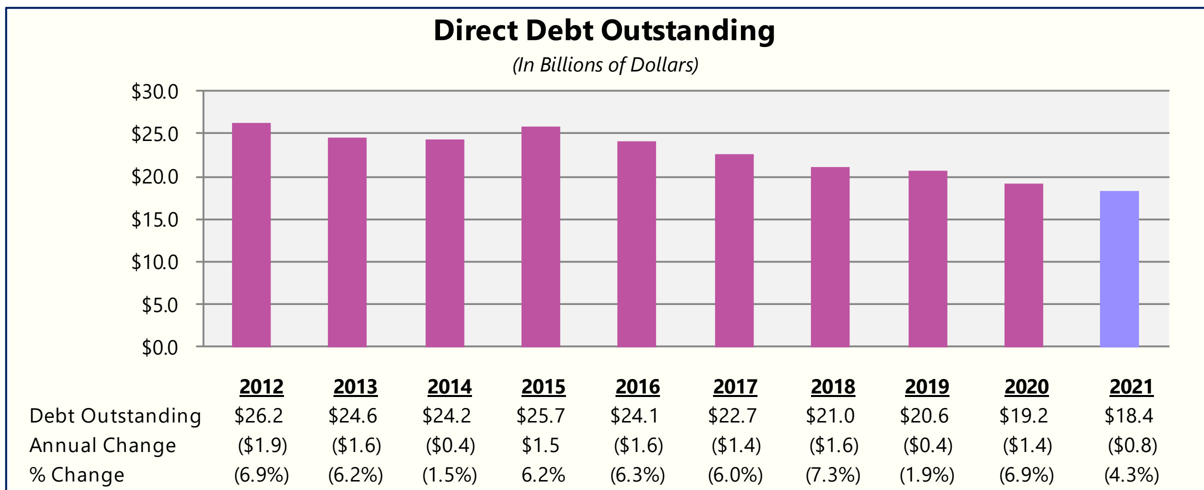
Charter Schools

According to the Department of Education, there were 687 charter schools educating approximately 342,000 students in Florida in FY 2021, an enrollment increase of 4%. The 342,000 students enrolled in charter schools represents approximately 12.3% of Florida's total PK-12 enrollment of 2.8 million. 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 approximately $170 million, an increase of approximately $11.4 million from the previous fiscal year. If the $170 million annual appropriation were fully leveraged, charter schools could issue a combined $2.5 to 2.9 billion of debt secured by Charter School Capital Outlay. The seasoning of the charter school model and professional operators have contributed to the development of a specialized municipal bond market for financing charter schools and has led to the proliferation of unrated "junk bond" debt issuance to finance new schools or refinance existing schools. Since charter school debt is not a direct obligation of the State and municipal market participants evaluate 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.

Debt Outstanding

The trend in the State's outstanding debt is important in evaluating how debt levels have changed over time. Total State direct debt grew to a peak of $28.2 billion in FY 2010. The increases in debt outstanding were primarily due to the issuance of PECO bonds, the State's largest bonding program, Florida Forever bonds, PPP obligations, and correctional facility financings.

Over the past 10 years, total direct debt declined by approximately $9.8 billion, or 35%, because very little new money debt has been authorized. The decrease is 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 FY 2015, debt increased by approximately $1.5 billion due to substantial investment in transportation infrastructure (I-4 Project) and a refinement in how DOT PPP obligations are recorded in this report. In FY 2021, debt declined by $825 million and continued the downward trend that, except for FY 2015, started in FY 2011.



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Debt Outstanding	$26.2	$24.6	$24.2	$25.7	$24.1	$22.7	$21.0	$20.6	$19.2	$18.4
Annual Change	($1.9)	($1.6)	($0.4)	$1.5	($1.6)	($1.4)	($1.6)	($0.4)	($1.4)	($0.8)
% Change	(6.9%)	(6.2%)	(1.5%)	6.2%	(6.3%)	(6.0%)	(7.3%)	(1.9%)	(6.9%)	(4.3%)

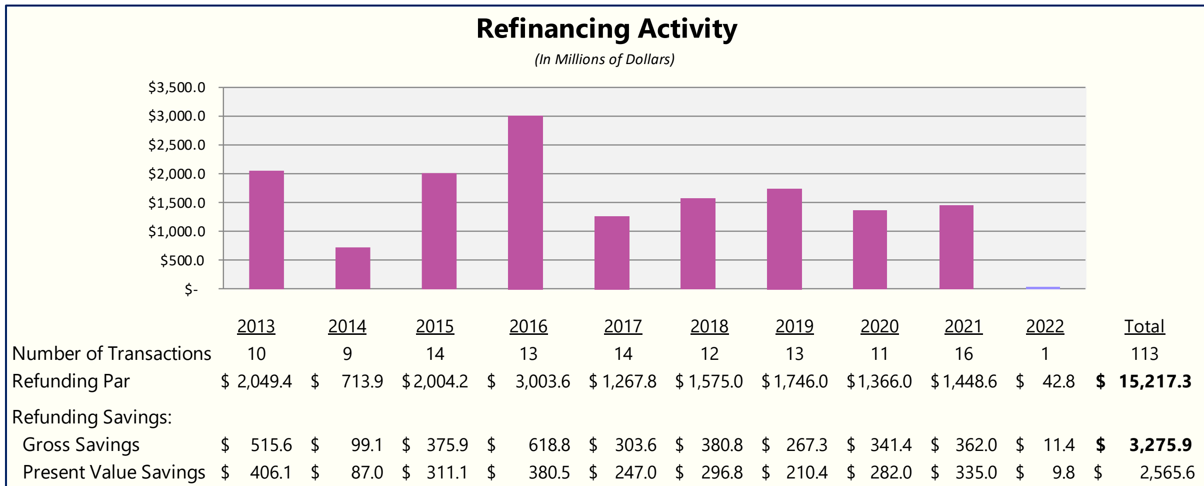
Refinancing Activity

The State executed 16 refinancing transactions in FY 2021 generating gross debt service savings of $362 million or $335 million on a present value basis. The vast majority of debt issuance in the past several years has been to refinance debt at lower interest rates and reduce annual debt service payments. Since FY 2013, the State has executed 113 refinancings totaling $15.2 billion generating gross debt service savings of more than $3.3 billion over the remaining life of the bonds or $2.6 billion on a present value basis. More than 80% of all State debt has been refinanced to lower interest rates.

Prior to January 1, 2018, Florida was able to take advantage of historically low interest rates through the use of advance refunding bonds, which are bonds issued prior to the call date of the bonds being refunded. The Tax Cuts and Jobs Act of 2018 eliminated states' ability to issue tax-exempt advance refunding bonds. The elimination of tax-exempt advance refundings

limits the tools available to the State to refinance its debt at lower interest rates. The Division is continuously analyzing alternative refinancing techniques in order to continue to deliver debt service savings to the State.

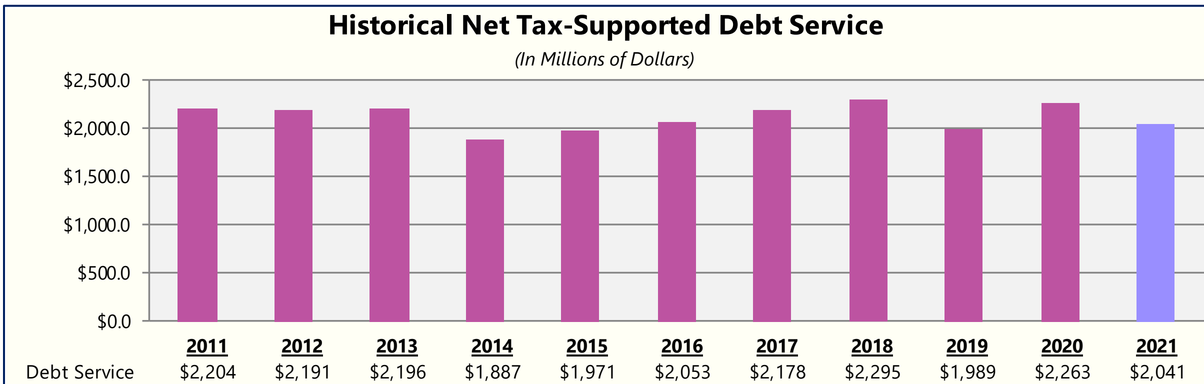
The Division continues to actively evaluate the State's debt portfolio for refunding opportunities in order to take advantage of favorable interest rates and lower the interest cost on the State's borrowings. However, there is increased uncertainty regarding higher future interest rates given the current posture of federal monetary policy and inflationary pressures. Additionally, the candidates available for refinancing in the future are diminishing. Over the next five years, there is only $4.4 billion of debt which can be refinanced if market conditions remain favorable and interest rates are low enough to generate debt service savings.



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Number of Transactions	10	9	14	13	14	12	13	11	16	1	113
Refunding Par	$ 2,049.4	$ 713.9	$ 2,004.2	$ 3,003.6	$ 1,267.8	$ 1,575.0	$ 1,746.0	$ 1,366.0	$ 1,448.6	$ 42.8	**$ 15,217.3**
Refunding Savings:											
Gross Savings	$ 515.6	$ 99.1	$ 375.9	$ 618.8	$ 303.6	$ 380.8	$ 267.3	$ 341.4	$ 362.0	$ 11.4	**$ 3,275.9**
Present Value Savings	$ 406.1	$ 87.0	$ 311.1	$ 380.5	$ 247.0	$ 296.8	$ 210.4	$ 282.0	$ 335.0	$ 9.8	$ 2,565.6

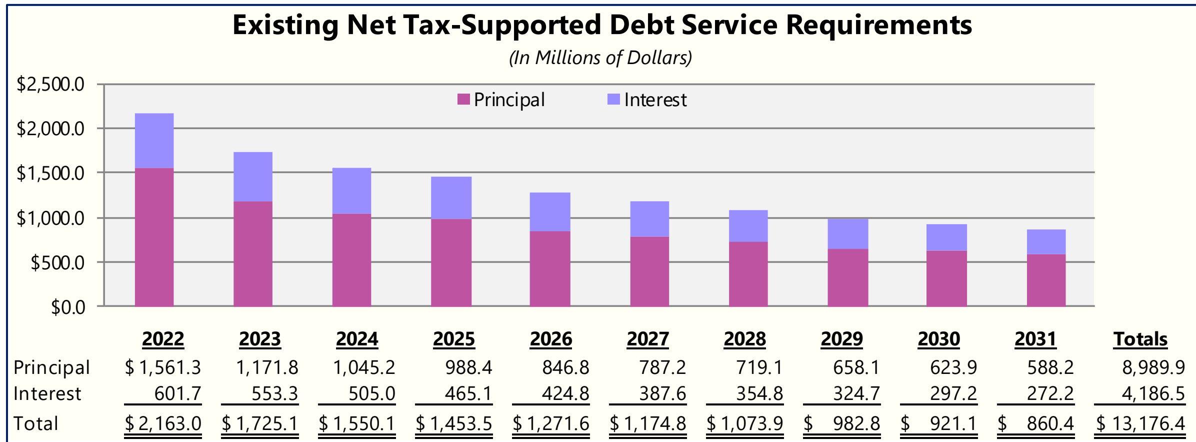
Annual Debt Service Payments

Annual debt service payments for the State's existing net tax-supported debt in FY 2021 totaled approximately $2.0 billion. Annual debt service payments declined by 14% to $1.9 billion in FY 2014 due to final payments on Preservation 2000 bonds, with the annual fluctuations thereafter reflecting the variability in DOT PPP payments. 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.



	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Debt Service	$2,204	$2,191	$2,196	$1,887	$1,971	$2,053	$2,178	$2,295	$1,989	$2,263	$2,041

Debt service payments on existing outstanding net tax-supported debt total $13.2 billion over the next ten years, with principal payments of $9 billion (68%) and interest payments of $4.2 billion (32%). By contrast, in FY 2011, the debt service requirements for the next ten years were $20 billion. This reflects less debt outstanding because of restrained issuance of new money bonds over the past ten years. Also, after increasing the $2.2 billion this fiscal year (FY 2022), annual debt service payments begin decreasing fairly significantly for the next ten years from $1.7 billion in FY 2023 to less than $900 million in FY 2031.



	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Totals
Principal	$ 1,561.3	1,171.8	1,045.2	988.4	846.8	787.2	719.1	658.1	623.9	588.2	8,989.9
Interest	601.7	553.3	505.0	465.1	424.8	387.6	354.8	324.7	297.2	272.2	4,186.5
Total	$ 2,163.0	$ 1,725.1	$ 1,550.1	$ 1,453.5	$ 1,271.6	$ 1,174.8	$ 1,073.9	$ 982.8	$ 921.1	$ 860.4	$ 13,176.4

Projected Debt Issuance

Projected debt issuance is provided by State agencies that receive proceeds under authorized bond programs. Projections do not include any additional borrowing for PECO, Florida Forever, or additional DOT PPP projects, as the amounts and timing of debt issuance under these programs are unknown and there is no expected borrowing for these programs.

Approximately $1.8 billion in net tax-supported debt issuance is projected over the next ten years, primarily for transportation. The projected issuance decreased by 31% from $2.7 billion projected in the 2020 Report. The decrease is due to lower anticipated borrowing for transportation. The intentional restraint on issuing debt over the past decade has strengthened the State’s balance sheet by reducing liabilities and enhanced budgetary flexibility by reducing annual debt service requirements. There has been a significant decrease in projected debt issuance over the past decade reflecting less reliance on debt to finance infrastructure. In FY 2010, projected debt issuance was $7.2 billion compared to current projected debt issuance of only $1.8 billion.

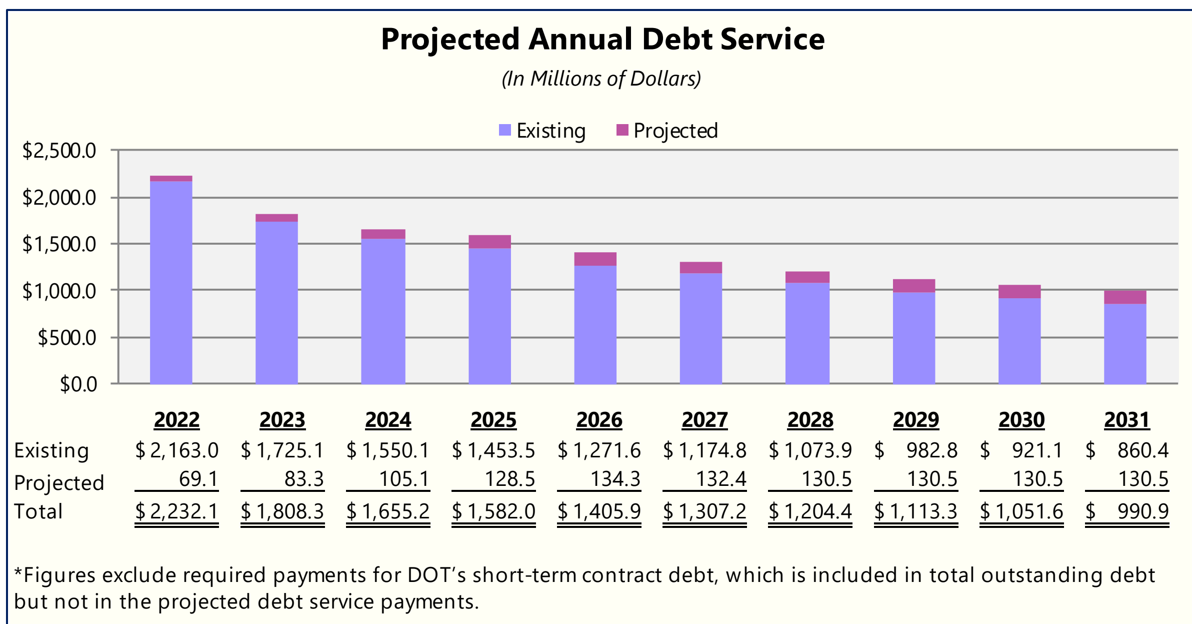
Projected Debt Issuance By Program

(In Millions of Dollars)

Fiscal Year	DMS COPs	ROW	GARVEE	DOT Fin. Corp.	Master Lease	Total Issuance
2022	$ 134.1	$ 300.0	$ 275.0	$ 121.3	$ 5.2	$ 835.7
2023	-	200.0	-	-	5.2	205.2
2024	-	325.0	-	-	5.2	330.2
2025	-	350.0	-	-	-	350.0
2026	-	125.0	-	-	-	125.0
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
Total	$ 134.1	$ 1,300.0	$ 275.0	$ 121.3	$ 15.6	$ 1,846.1

Projected Debt Service

Based on existing and projected debt service, FY 2022 annual debt service on net-tax supported debt is expected to increase slightly to $2.2 billion from $2 billion in FY 2021. Subsequently, projected debt service is expected to decrease by $424 million in FY 2023 following the final construction milestone payment for transportation PPP projects. Restrained debt issuance over the past decade has resulted in lower projected annual debt service over the next ten years. As a result, projected annual debt service over the next 10 years declines to less than $1 billion for the first time since the State began tracking this metric in the late 1990s, and is less than half of the FY 2022 annual debt service. Lower fixed costs afford the legislature additional flexibility in developing the State budget and leaves significant debt capacity available to make strategic infrastructure investments.



	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Existing	$ 2,163.0	$ 1,725.1	$ 1,550.1	$ 1,453.5	$ 1,271.6	$ 1,174.8	$ 1,073.9	$ 982.8	$ 921.1	$ 860.4
Projected	69.1	83.3	105.1	128.5	134.3	132.4	130.5	130.5	130.5	130.5
Total	$ 2,232.1	$ 1,808.3	$ 1,655.2	$ 1,582.0	$ 1,405.9	$ 1,307.2	$ 1,204.4	$ 1,113.3	$ 1,051.6	$ 990.9

*Figures exclude required payments for DOT's short-term contract debt, which is included in total outstanding debt but not in the projected debt service payments.

Revenue Forecasts

Revenue available to pay debt service is one of the two variables used to calculate the benchmark debt ratio. General revenues, as well as specific tax revenues pledged to various bond programs (e.g., 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 bonds), are available for debt service payments. State General Revenues comprise the majority of total revenue available, accounting for more than 76% in 2021.

After declining by $1.7 billion, or 3.9%, in FY 2020 as a result of the COVID-19 pandemic, FY 2021 actual revenue collections were above FY 2020 collections by $6.3 billion or 15.4%. The primary increase in available revenues - $4.5 billion - was the result of increased General Revenues, primarily sales taxes and corporate income taxes, as a result of the State's strong recovery from the economic impacts of COVID-19.

In August 2020, the REC made substantial adjustments to general revenue projections reflecting the anticipated negative economic impacts of the measures taken to slow the spread of COVID-19. As the State's economy recovered and actual revenue collections continued to outpace estimates, the REC revised estimates upward three times, including most recently in August 2021. The REC increased FY 2022 projected General Revenues by $1.4 billion, which is $620 million more (1.7%) than actual FY 2021 collections. State revenues continue to outpace estimates and, in aggregate, FY 2022 General Revenue collections through September 2021 are approximately $789 million over the August 2021 estimates.

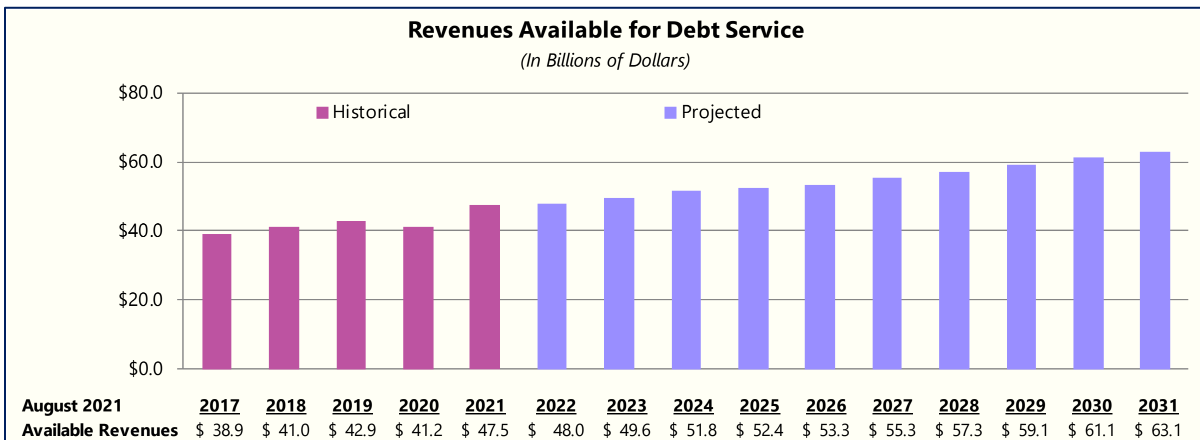
In addition to the strong General Revenue recovery, the State received an allocation of $4.6 billion CRF Funds under the CARES Act. The CRF funds were used to pay for eligible expenses related to the State's response to COVID-19. The State also received an allocation of ARPA funds totaling $8.8 billion, of which $4.4 billion has been received to-date. While these federal funds are not included in revenues available for debt service for this Report and debt analysis, utilization of CRF and ARPA funds has helped offset the fiscal impact of additional expenses related to the State's response to the COVID-19 pandemic and provided a unique opportunity to make one-time, strategic investments in transportation and resiliency projects.

Changes in revenue estimates have a significant impact on the calculation of available debt capacity and are especially important given the State's economic environment. The August 2021 REC results have been used for purposes of this Report. Revenue forecasts will be reviewed and revised by the REC in January 2021 and this Report and the impact on the benchmark debt ratio will be updated accordingly. Forecasted revenue growth could be materially impacted by national and global economic trends such as inflation and supply chain disruption.

Projected Revenue Available for State Tax-Supported Debt

(In Millions of Dollars)

	Actual		Projection		
Fiscal Year	2020	2021	2022	2023	2024
Revenue Available:					
General Revenue	$ 31,366.2	$ 36,280.9	$ 36,901.0	$ 38,336.8	$ 39,889.5
Less : Documentary Stamp Tax Included Below	(983.1)	(1,432.5)	(1,319.1)	(1,245.6)	(1,222.5)
Net General Revenue	$ 30,383.1	$ 34,848.4	$ 35,581.9	$ 37,091.2	$ 38,667.0
Specific Tax Revenue					
Gross Receipts	1,115.1	1,109.4	1,135.7	1,148.3	1,157.0
Motor Vehicle License	793.1	848.8	887.6	899.9	911.6
Lottery	1,851.5	2,246.0	2,032.6	2,034.0	2,103.0
Documentary Stamp Tax	2,874.9	4,082.8	3,817.4	3,657.1	3,593.6
Motor Fuel Tax	1,449.5	1,495.6	1,568.8	1,651.8	1,711.3
Motor Vehicle License-Surcharge	26.7	23.6	24.4	26.8	27.1
Tax on Pollutants-IPTF	214.6	206.5	215.7	219.8	222.2
University Net Bldg Fees & Cap. Impr. Fees	58.8	59.5	60.1	60.7	61.3
Community College Cap. Impr.Fees	38.5	34.4	34.4	34.4	34.4
Title Fees	200.0	200.0	200.0	200.0	200.0
Federal Reimbursements for Transportation	2,175.3	2,156.0	2,409.7	2,616.4	3,080.3
Other Sources	-	199.2	53.0	3.1	3.2
Total State Revenue Available	**$ 41,181.2**	**$ 47,510.2**	**$ 48,021.3**	**$ 49,643.5**	**$ 51,772.0**

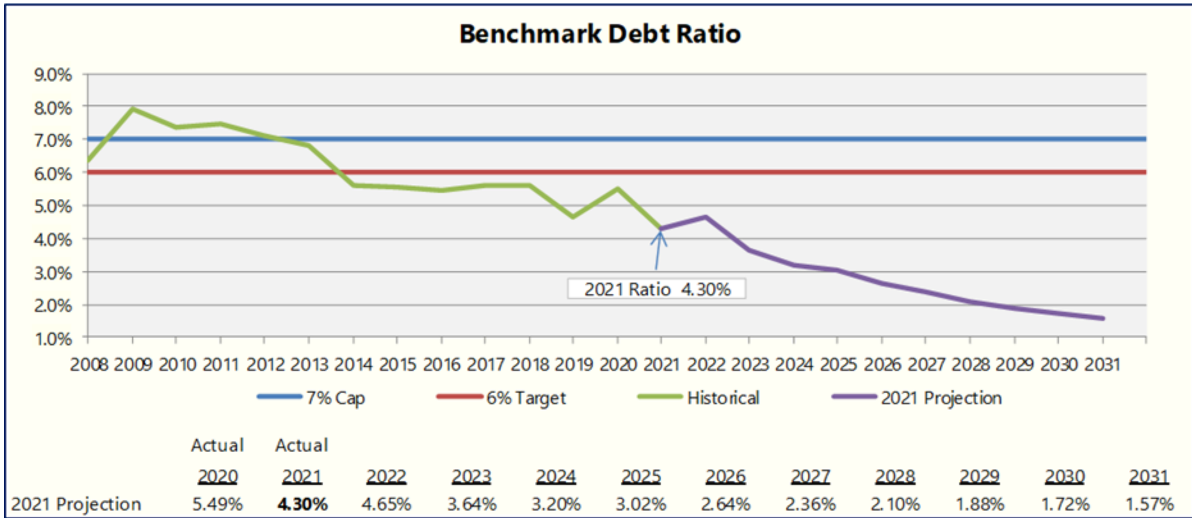


Benchmark Debt Ratio

The debt affordability analysis is based on 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% limit for the benchmark debt ratio. The benchmark debt ratio increased significantly between FYs 2007 and 2009 as revenues declined during the Great Recession. Following FY 2010, the benchmark debt ratio gradually declined when revenues improved and debt service payments remained flat.

Following a temporary increase in the debt ratio in FY 2020 to 5.49% due to the negative effects of COVID-19 on State revenues available for debt service, the benchmark debt ratio decreased significantly in FY 2021 by 1.19% to 4.30%, largely a result of the significant rebound in revenues generated by the State's strong economic recovery. Also contributing to the decline in the ratio was a decrease in total debt service payments of $222 million primarily attributable to a non-recurring $125 million payment related to the I-4 Supplemental

Agreement that occurred in FY 2020. Revenues for FY 2022 and beyond are projected to continue to improve.



	Actual 2020	Actual 2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
2021 Projection	5.49%	**4.30%**	4.65%	3.64%	3.20%	3.02%	2.64%	2.36%	2.10%	1.88%	1.72%	1.57%

The projected benchmark debt ratio for the next ten years is based on the August 2021 revenue forecasts and projected debt issuance as of the date of this Report. Projections show the benchmark debt ratio remaining below the 6% policy target over the forecast period, reflecting lower projected debt issuance and solid economic recovery. The REC scheduled in January 2021 is expected to revise the general revenue forecast, and projections of the benchmark debt ratio will be updated. The projected improvement in the benchmark debt ratio is dependent on realizing the revenue growth projected by the REC.

Debt Capacity

The final step in the debt affordability analysis is estimating future debt capacity. Debt capacity is based on projected debt issuance over the next ten years and the most recent August 2021 revenue projections. Debt capacity can change significantly with changes in revenue estimates reflecting changes in the economic environment. With the benchmark debt ratio below the 6% policy target, a substantial amount of debt capacity is available for future bonding.

Over the next ten years, nearly $38.3 billion in theoretical bonding capacity is available based on the 6% benchmark debt ratio. As shown previously, projected debt issuance under existing bond programs is approximately $1.8 billion for the next ten fiscal years leaving $36.5 billion of net debt capacity available within the 6% target over the next ten years. Assuming the revenue collections currently projected by the REC, there is approximately $16 billion of debt capacity available within the policy target in FY 2023. If projected revenue collections are not realized, debt capacity will be negatively impacted.

Debt Capacity Projection 6% Target; 7.0% Cap (In Millions of Dollars)		
	6% Target	7% Cap
Total Debt Capacity Available	$ 38,302.1	$ 46,411.8
Estimated Bond Issuance	1,846.1	1,846.1
Net Debt Capacity Available	$ 36,456.0	$ 44,565.7

Projections in this report indicate the benchmark debt ratio will remain consistently below the 6% target through 2031 which provides flexibility for the State to issue additional debt while maintaining compliance with the policy target. Debt capacity between the 6% target and 7% cap is best viewed as a cushion to mitigate the impact of revenue declines. 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 until after the debt is repaid, typically 20 to 30 years. Additionally, as noted previously, debt capacity is subject to significant variability because it is dependent on realizing projected revenue growth.

Florida Compared to Other States

The municipal bond market evaluates governments' 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 11 most populous states. Florida moved from 6th to 5th highest in debt service as a percent of revenues. Florida maintained the 8th spot in debt per capita, debt as a percent of State personal income, and debt as a percent of State GDP.

Debt Ratios
2020 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	5.49%	$723	1.38%	1.41%
Peer Group Mean	5.02%	$1,736	2.65%	2.54%
National Median	3.90%	$1,039	1.90%	2.04%

2020 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 Jersey	1	10.10%	1	$4,569	1	6.10%	1	6.56%	A-/A3/BBB+
Illinois	2	7.30%	3	$2,861	3	4.50%	2	4.17%	BBB-/Baa3/BBB
New York	3	5.60%	2	$3,614	2	4.80%	3	4.11%	AA+/Aa2/AA+
Ohio	4	5.50%	6	$1,146	6	2.10%	6	1.98%	AA+/Aa1/AA+
Florida	**5**	**5.49%**	**8**	**$723**	**8**	**1.38%**	**8**	**1.41%**	**AAA/Aaa/AAA**
Georgia	6	5.40%	7	$987	7	1.90%	7	1.71%	AAA/Aaa/AAA
California	7	4.00%	4	$2,144	4	3.00%	4	2.73%	AA/Aa2/AA-
Pennsylvania	7	4.00%	5	$1,448	5	2.30%	5	2.37%	AA-/Aa3/A+
North Carolina	9	3.00%	10	$581	9	1.20%	10	1.05%	AAA/Aaa/AAA
Texas	10	2.60%	11	$365	11	0.70%	11	0.61%	AAA/Aaa/AAA
Michigan	11	2.20%	9	$661	9	1.20%	9	1.28%	AA/Aa1/AA
Median		**5.40%**		**$1,146**		**2.10%**		**1.98%**	
Mean		**5.02%**		**$1,736**		**2.65%**		**2.54%**	
National Median		**3.90%**		**$1,039**		**1.90%**		**2.04%**	

Note: Moody's State Debt Medians reported figures may result in states having the same value for a given metric, which will be ranked as a tie.

Pension Liability and Funding

The State's pension system is relatively well-funded with a funded ratio of 78.9% as of June 30, 2020. Following a three year period of underfunding for budget relief during the Great Recession, Florida has fully funded its actuarially determined contribution to the pension system since FY 2014. Rating agencies continue to evaluate the credit impact of unfunded pension liabilities and several states have been downgraded 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 properly.

As a result, management and funding of the pension system are important aspects of evaluating Florida's credit rating. Rating agencies have developed quantitative methodologies to evaluate states' 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 investment return assumption.

Additionally, for multi-employer plans like Florida's, the rating agencies allocate the unfunded liability to all participating governments, attributing only a portion to the State. The pension liabilities are analyzed relative to the economic metrics used to evaluate debt obligations among Florida's peer group. According to Moody's medians, Florida's adjusted pension liability of $25.6 billion falls significantly below the median of nearly $46.7 billion for the largest states and ranks 4th lowest in the peer group. Florida's ANPL as a percent of personal income is the lowest in the peer group.

2020 Pension Metrics Comparison

Adjusted Net Pension Liabilities ("ANPL") and Medians

State	Rank	ANPL (in Millions)	Rank	ANPL as a % of Own-Source Revenues	Rank	ANPL Per Capita	Rank	ANPL as a % of Personal Income	Rank	ANPL as a % of State GDP
Illinois	1	$ 235,882	1	433%	1	$ 18,739	1	29.8%	1	27.3%
California	2	204,789	6	102%	5	5,202	6	7.3%	6	6.6%
Texas	3	155,796	3	202%	4	5,306	4	9.7%	5	8.9%
New Jersey	4	130,185	2	299%	2	14,657	2	19.5%	2	21.0%
Pennsylvania	5	80,784	4	173%	3	6,320	3	10.2%	3	10.4%
Michigan	6	46,672	5	131%	6	4,683	5	8.8%	4	9.0%
New York	7	31,967	11	32%	7	1,653	9	2.2%	11	1.9%
Florida	**8**	**25,636**	**7**	**49%**	**9**	**1,180**	**11**	**2.1%**	**8**	**2.3%**
Ohio	9	16,962	8	48%	8	1,451	7	2.7%	7	2.5%
Georgia	10	12,146	9	44%	10	1,134	9	2.2%	9	2.0%
North Carolina	11	11,338	10	35%	11	1,070	11	2.1%	11	1.9%
Median		**$ 46,672**		**102%**		**$ 4,683**		**7.3%**		**6.6%**
Mean		**$ 86,560**		**141%**		**$ 5,581**		**8.8%**		**8.5%**
National Median		**$ 11,962**		**90%**		**$ 2,907**		**5.3%**		**5.1%**

Note: Moody's Medians Pension and OPEB reported figures may result in states having the same value for a given metric, which will be ranked as a tie.

Rating agencies continue to refine their analysis used to evaluate pension liabilities. They now evaluate the reasonableness of assumptions used to calculate the pension liability and required contributions. S&P has published guidelines which indicated 6% is a sustainable investment return assumption. The actuarial methodologies, which vary across plans, are also being assessed. The assumptions used to calculate the required contribution to the FRS are set by the FRS Actuarial Assumption Conference ("Conference"). The actuary uses the assumptions and actuarial methodologies set by the Conference to calculate the pension liability and, more importantly, the required contribution.

The Conference has made significant progress in recent years in lowering the investment return assumption and moving to best practices for prudent financial management. The investment return assumption, which had been lowered from 7.75% to 7.0% over the previous seven years, was reduced to 6.8% in October 2021. The conference also adopted the best practices of using "individual entry age," which produces a more realistic estimate of the cost and required contributions, and shortening the amortization policy to 20 years from 25 years. For the first time since FY 2016, the State will be using the same investment return assumption, 6.8%, for funding and financial reporting which demonstrates prudent accounting and financial management. While there is additional progress to be made in moving to best practices (E.g. amortizing the unfunded liability on a level dollar basis, instead of a level percentage of pay) the significant progress made in recent years helps to secure the long-term health of the FRS for retirees and is positively viewed as a credit strength by rating agencies.

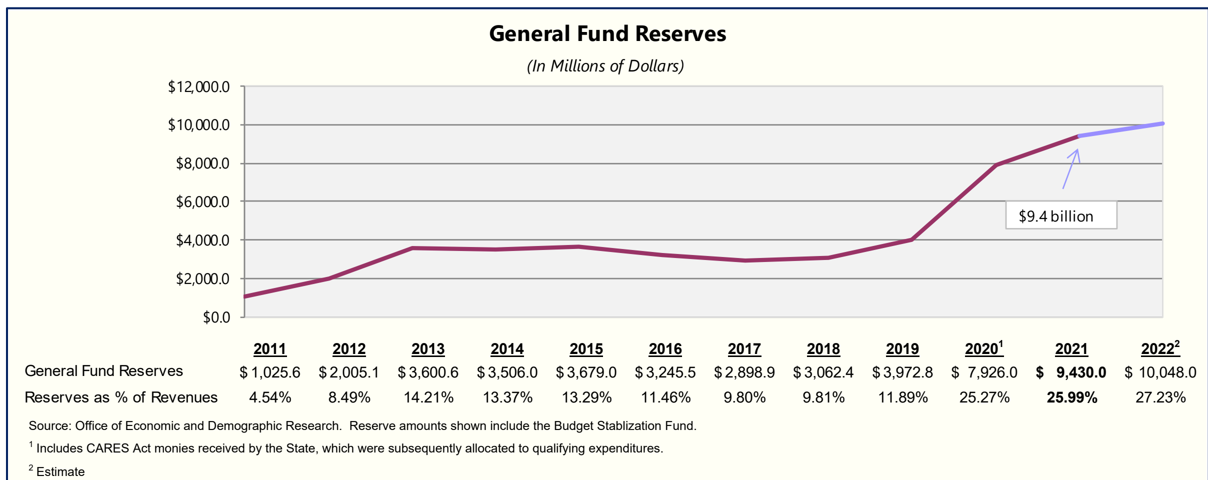
Reserves

An important measure of financial health and ability to respond to unforeseen financial challenges is the level of the State's general fund reserves. Unspent general revenue combined with the BSF are collectively referred to herein as the "General Fund Reserves." Historically, Florida's level of reserves resulted from conservative financial management practices. Reserve levels were cited as a credit strength when Moody's upgraded Florida to "Aaa" in June 2018. The discipline of setting aside sufficient funds during times of economic prosperity helped ensure that the State had adequate reserves to mitigate revenue declines precipitated by COVID-19. 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.

General Fund Reserves

The State increased General Fund Reserves from $1.8 billion in FY 2010 to approximately $4 billion in FY 2019, or 12% of general revenues. Without the strong reserve balance at the end of FY 2019, the State may have experienced additional fiscal and budgetary challenges when confronted with the impacts of COVID-19 during FY 2020, prior to the receipt of Federal relief funds. General Fund Reserves at the end of FY 2020 were $7.9 billion after inclusion of net CRF funds received. Without the receipt of such federal funds, General Fund Reserves would have declined to approximately $2.4 billion, or only 7.6% of general revenues. With the quick economic rebound and improvement in General Revenue collections, General Fund Reserves increased by $1.5 billion by the end of FY 2021 to $9.4 billion, or 26% of general revenues.

The BSF was not used during the COVID-19 pandemic and remains fully funded at the constitutionally required 5% of general revenues. During the 2021 Legislative Session, the legislature passed a bill to eliminate the Lawton Chiles Endowment Fund and transfer the balance to the BSF by June 30, 2022, which further secures these funds as part of the State's structural reserve.



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020[1]	2021	2022[2]
General Fund Reserves	$ 1,025.6	$ 2,005.1	$ 3,600.6	$ 3,506.0	$ 3,679.0	$ 3,245.5	$ 2,898.9	$ 3,062.4	$ 3,972.8	$ 7,926.0	**$ 9,430.0**	$ 10,048.0
Reserves as % of Revenues	4.54%	8.49%	14.21%	13.37%	13.29%	11.46%	9.80%	9.81%	11.89%	25.27%	**25.99%**	27.23%

Source: Office of Economic and Demographic Research. Reserve amounts shown include the Budget Stablization Fund.

[1] Includes CARES Act monies received by the State, which were subsequently allocated to qualifying expenditures.

[2] Estimate

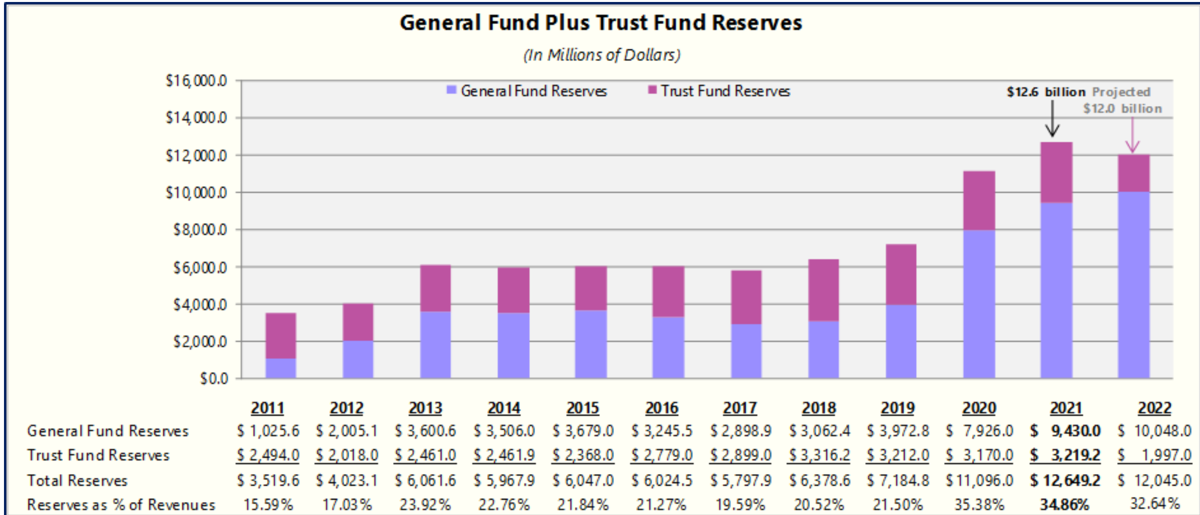
General Fund Reserves are projected to be $10 billion at the end of FY 2022. The State's record General Fund Reserves are recognized by the rating agencies as a credit strength and reflect the State's prudent financial management through COVID-19.

The critical role that reserves played in mitigating the general revenue shortfalls precipitated by COVID-19 demonstrates that the Legislature should consider formalizing targeted General Fund Reserves. Currently the amount of unspent general revenue targeted as reserves is $1.5 billion and this has been helpful in maintaining prudent reserves and financial flexibility. However, a more dynamic target should be considered (e.g., a minimum of 10% of General Fund Revenue rather than a fixed dollar amount) to provide adequate financial flexibility with a growing state budget and inevitable revenue volatility experienced during changing economic climates or to address unexpected financial events like viral pandemics, the Great Recession and hurricanes.

Rating agencies have recently updated their rating criteria and methodology to include revenue and reserve sensitivity analysis. Fitch's FAST Model, for example, tests state revenue and reserve sensitivity to a recession on the national level. This dynamic analysis is being used in order to move away from "hard and fast" rating specific reserve requirements and instead, move toward understanding how a state's current level of reserves can serve to offset potential revenue volatility. It is expected that Florida's reserves remain relatively higher because of the sensitivity of sales taxes to economic cycles and hurricane risk.

Trust Fund 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. The inclusion of excess trust fund balances increases total reserves at the end of FY 2021 to approximately $12.6 billion, or 34.9% of general revenues, which is considered strong by the rating agencies. Total reserves are projected to decrease, but still remain at an unprecedented level of $12.0 billion, or 32.6% of general revenues, at the end of FY 2022.



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Fund Reserves	$ 1,025.6	$ 2,005.1	$ 3,600.6	$ 3,506.0	$ 3,679.0	$ 3,245.5	$ 2,898.9	$ 3,062.4	$ 3,972.8	$ 7,926.0	**$ 9,430.0**	$ 10,048.0
Trust Fund Reserves	$ 2,494.0	$ 2,018.0	$ 2,461.0	$ 2,461.9	$ 2,368.0	$ 2,779.0	$ 2,899.0	$ 3,316.2	$ 3,212.0	$ 3,170.0	**$ 3,219.2**	$ 1,997.0
Total Reserves	$ 3,519.6	$ 4,023.1	$ 6,061.6	$ 5,967.9	$ 6,047.0	$ 6,024.5	$ 5,797.9	$ 6,378.6	$ 7,184.8	$ 11,096.0	**$ 12,649.2**	$ 12,045.0
Reserves as % of Revenues	15.59%	17.03%	23.92%	22.76%	21.84%	21.27%	19.59%	20.52%	21.50%	35.38%	**34.86%**	32.64%

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. The four factors are assessed 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.

Florida is rated in the highest rating category by each of the three major credit rating agencies. All three major rating agencies affirmed the State's AAA general obligation ratings with Stable outlooks in their most recent reports, which reflects the State's significant economic recovery and prudent financial management. The stability in the State's general obligation ratings and credit strengths reflect Florida's historically strong economy and population growth; financial flexibility through expenditure reductions and reserve levels; ample liquidity; and a relatively well-funded pension system. The State has been continually recognized for its conservative financial and debt management practices. In their reports, the rating agencies expect Florida to maintain its history of making timely budget adjustments, maintaining structural budget balance and strong reserves to continue to support the triple-A ratings.

Florida General Obligation Credit Ratings

	Rating	Outlook
Standard and Poor's	AAA	Stable
Fitch Ratings	AAA	Stable
Moody's Investor Service	Aaa	Stable

The rating agencies have recognized the State's strong economic recovery through higher than anticipated revenue collections in FY 2021. However, the rating agencies also indicate

that the State will likely see lingering economic weakness related to the pandemic due to the impact of decreased leisure and business travel on sales tax revenues and employment in the leisure and hospitality sector. CRF funds permitted the State to continue providing essential services and provided financial flexibility in FY 2020. Moody's and S&P revised their sector outlooks for U.S. States to stable, from negative, in March 2021. While historically Florida's ratings were consider vulnerable because of the State's reliance on tourism and sales taxes, which were significantly impacted by COVID-19, rating agencies anticipate the State's revenues will continue to grow based on the State's economic and demographic fundamentals.

The State does face some ongoing credit challenges, which include environmental risk associated with hurricanes and sea-level rise and the health of the State's property insurance industry, specifically the State-sponsored insurance entities—Cat Fund and Citizens. In addition, the rating agencies expect Florida to continue sound fiscal management practices, maintain structural budget balance and strong reserve balances through economic cycles.

Rating agencies have also continued to focus on issuer pension liabilities. Moody's and Fitch make adjustments to issuer reported pension liabilities to reflect their view of reasonable investment return assumptions, amortization periods, and other actuarial methodologies. Late last year, Moody's updated their "US States Rating Methodology" to increase the weighting assigned to the debt and pension factor, further underscoring the importance of prudent financial management and funding of the pension system. The update also combines pension liabilities and debt into one sub-factor, reflecting how credit rating agencies are evolving related to their view of total state long-term liabilities.

ESG Considerations

All three rating agencies have incorporated environmental, social, and governance ("ESG") factors into their credit analysis and reports. Although these factors were previously included within credit analysis, the rating agencies are now highlighting these risks with dedicated criteria and scoring. While the State has favorable long-term social and governance characteristics, there are vulnerabilities around environmental risks. Specifically, the rating agencies highlight Florida's vulnerability to hurricanes, flooding, and sea level rise. Rating agencies are monitoring the State's actions to plan for and mitigate environmental risks, such as creating Citizens and Cat Fund to provide for a stable insurance market and additional actions taken to address climate resiliency. S&P recently highlighted actions to address water-quality and climate change as well as the appointment of the Chief Resilience Officer as credit positives reflecting the State's continued efforts to address environmental risks. However, S&P warned that ongoing focus on environmental risks and corresponding mitigations efforts will be needed in order to maintain long-term credit quality.

Conclusion

Florida's debt position improved in FY 2021 as a result of a prolonged favorable interest rate environment and a reduction in the amount of debt outstanding due to restrained borrowing. The debt ratio remains below the 6% target due to significant revenue growth associated with the economic recovery from the impacts COVID-19 and limited debt issuance. The State is well positioned with significant debt capacity available to fund critical infrastructure needs. However, available debt capacity and the ratio are sensitive to revenue declines from economic cycles.

The rating agencies have recognized the State's strong economic recovery and prudent budget management through the pandemic with the affirmation of triple-A credit ratings. The rating agencies expect Florida to continue prudent budget management practices along with making adequate pension contributions and planning for the impacts associated with Hurricanes and other environmental risks in order to maintain its credit ratings.

State of Florida

2022 Update

to the

2021 Debt Report

Revised to include the January 2022 Revenue Estimating Projections

Prepared by the Division of Bond Finance

2022 Update

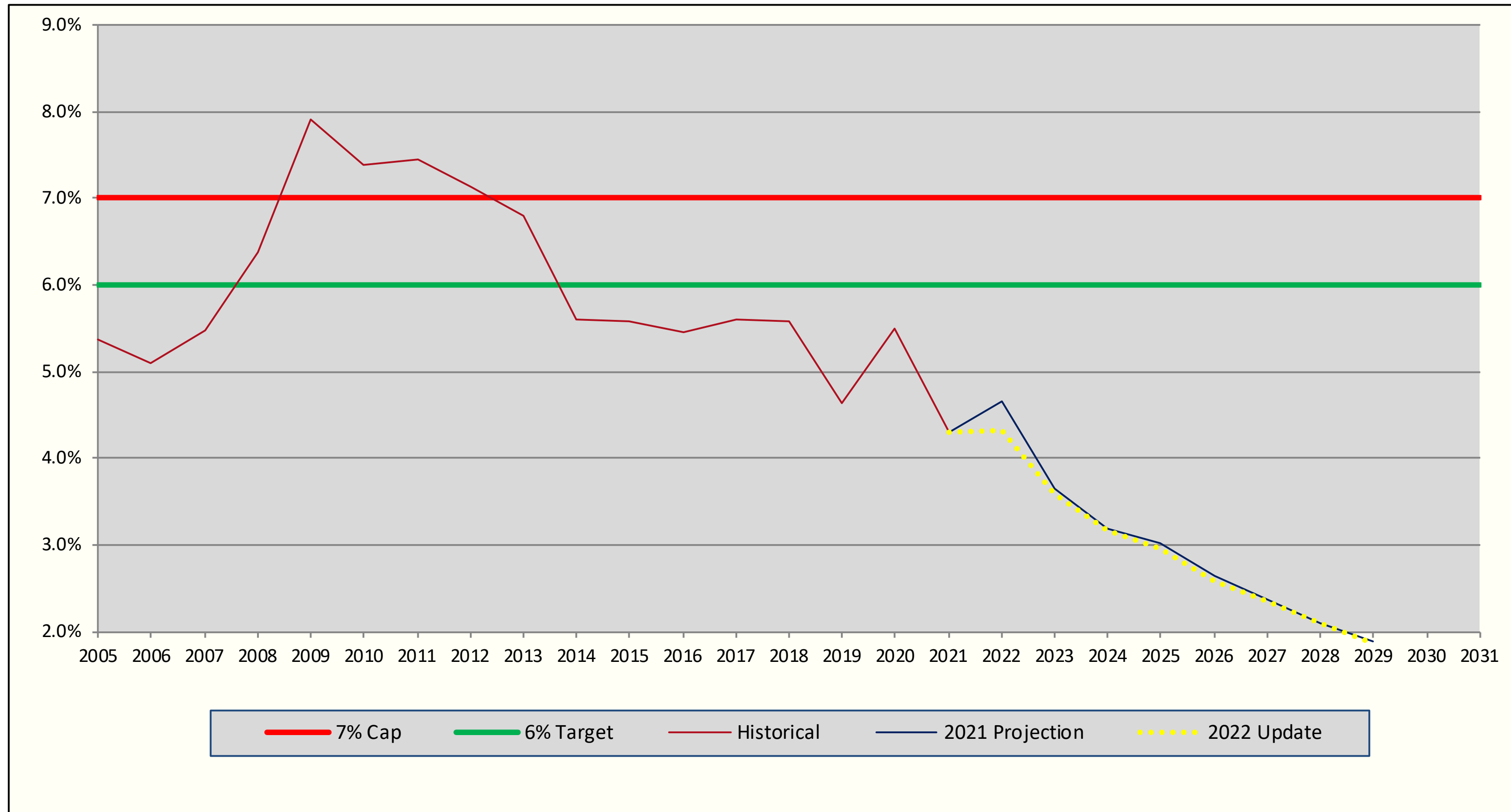
- The 2022 Update reflects the upward revision in projected revenues as Florida's economic recovery continues to outpace original projections. The updated projections do not materially impact the debt affordability analysis in the 2021 Debt Report.

- The primary change is to reflect the increased revenues from the January 2022 Revenue Estimating Conferences.

- FY 2022 projected revenues increased by approximately $3.6 billion over the 2021 Debt Report, which resulted in an improvement to the FY 2022 benchmark ratio. This increase is primarily a result of increases in FY 2022 General Revenue ($3.0 billion) and Documentary Stamp Taxes ($606 million) collections.

- Based on January 2022 revenue estimates, the benchmark debt ratio does not change significantly and is expected to remain below the 6% target over the 10-year projection period.

2022 Update: Change in Projected Benchmark Debt Ratio Projection



Benchmark Debt Ratio Projection

	Actual 2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
2021 Projection	4.30%	4.65%	3.64%	3.20%	3.02%	2.64%	2.36%	2.10%	1.88%	1.72%	1.57%
2022 Update	4.30%	4.32%	3.58%	3.16%	2.95%	2.59%	2.34%	2.09%	1.87%	1.71%	1.56%
Change in Ratio	-	(0.32%)	(0.06%)	(0.04%)	(0.06%)	(0.05%)	(0.03%)	(0.01%)	(0.01%)	(0.01%)	(0.01%)

Projected Revenue Available for State Tax-Supported Debt

Fiscal Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Revenue Available *(In Millions)* **:**										
General Revenue	$ 36,901.0	$ 38,336.8	$ 39,889.5	$ 41,471.8	$ 42,504.2	$ 44,091.2	$ 45,754.0	$ 47,492.5	$ 49,296.3	$ 51,168.1
Less: Doc Stamp Distribution	(1,319.1)	(1,245.6)	(1,222.5)	(1,216.1)	(1,229.0)	(1,248.7)	(1,289.6)	(1,344.8)	(1,401.6)	(1,460.2)
Net General Revenue	35,581.9	37,091.2	38,667.0	40,255.7	41,275.2	42,842.5	44,464.4	46,147.7	47,894.7	49,707.9
Specific Tax Revenue										
Gross Receipts	1,135.7	1,148.3	1,157.0	1,167.9	1,181.1	1,194.7	1,208.4	1,222.3	1,236.4	1,250.5
Motor Vehicle License	887.6	899.9	911.6	922.3	933.7	945.0	956.9	969.0	981.2	993.5
Lottery	2,032.6	2,034.0	2,103.0	2,115.7	2,158.9	2,201.5	2,240.8	2,291.7	2,378.4	2,386.5
Documentary Stamp Tax	3,817.4	3,657.1	3,593.6	3,575.7	3,611.4	3,665.6	3,757.2	3,870.0	3,986.0	4,105.6
Motor Fuel Tax	1,568.8	1,651.8	1,711.3	1,756.4	1,802.7	1,850.8	1,892.3	1,939.7	1,985.4	2,032.7
Motor Vehicle License-Surcharge SLERSTF	24.4	26.8	27.1	27.4	27.6	27.9	28.6	29.4	30.2	31.1
Tax on Pollutants-IPTF	215.7	219.8	222.2	-	-	-	-	-	-	-
SUS Net Bldg Fees & Cap. Impr.Fees	60.1	60.7	61.3	61.9	62.5	63.1	63.8	64.4	65.1	65.7
State (Community) College Cap. Impr.Fees	34.4	34.4	34.4	34.4	34.4	34.4	34.4	34.4	34.4	34.4
Title Fees (Available for Seaport Debt)	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0
Federal Reimbursements for Transportation	2,409.7	2,616.4	3,080.3	2,311.3	1,968.1	2,253.4	2,442.9	2,289.5	2,294.7	2,294.7
Other Sources	53.0	3.1	3.2	3.3	3.4	3.5	3.6	13.7	28.5	37.1
Total State Revenue Available	**$ 48,021.3**	**$ 49,643.5**	**$ 51,772.0**	**$ 52,431.9**	**$ 53,259.0**	**$ 55,282.4**	**$ 57,293.3**	**$ 59,071.9**	**$ 61,115.1**	**$ 63,139.8**

Projected Revenue Available for State Tax-Supported Debt - 2022 Update

Fiscal Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Revenue Available *(In Millions)* **:**										
General Revenue	$ 40,189.8	$ 39,041.1	$ 40,694.3	$ 42,033.3	$ 43,258.7	$ 44,771.0	$ 46,365.8	$ 48,027.8	$ 49,759.4	$ 51,553.0
Less: Doc Stamp Distribution	(1,615.8)	(1,195.7)	(1,173.6)	(1,167.4)	(1,179.8)	(1,198.7)	(1,230.6)	(1,273.6)	(1,328.2)	(1,384.6)
Net General Revenue	38,574.0	37,845.4	39,520.7	40,865.9	42,078.9	43,572.3	45,135.2	46,754.2	48,431.2	50,168.4
Specific Tax Revenue										
Gross Receipts	1,145.0	1,152.9	1,165.0	1,175.8	1,191.4	1,207.6	1,224.2	1,240.0	1,254.6	1,269.9
Motor Vehicle License	895.6	908.0	921.0	932.2	941.3	949.3	960.4	971.7	983.0	994.6
Lottery	2,182.5	2,176.7	2,249.4	2,241.5	2,265.4	2,287.3	2,304.3	2,332.5	2,395.8	2,378.2
Documentary Stamp Tax	4,423.3	3,519.6	3,458.5	3,441.3	3,475.6	3,527.8	3,615.9	3,724.5	3,836.1	3,951.2
Motor Fuel Tax	1,600.1	1,685.6	1,774.9	1,833.2	1,881.3	1,929.1	1,971.6	2,024.3	2,080.7	2,129.2
Motor Vehicle License-Surcharge SLERSTF	24.6	24.9	25.2	25.5	25.7	25.9	26.2	26.5	26.7	27.0
Tax on Pollutants-IPTF	226.9	229.9	232.7	-	-	-	-	-	-	-
SUS Net Bldg Fees & Cap. Impr.Fees	60.1	60.7	61.3	61.9	62.5	63.1	63.8	64.4	65.1	65.7
State (Community) College Cap. Impr.Fees	34.4	34.4	34.4	34.4	34.4	34.4	34.4	34.4	34.4	34.4
Title Fees (Available for Seaport Debt)	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0
Federal Reimbursements for Transportation	2,195.3	2,681.8	2,777.1	2,740.8	2,189.0	2,099.8	2,085.7	2,109.5	2,164.9	2,186.2
Other Sources	53.0	3.1	3.2	3.3	3.4	3.5	3.6	13.7	28.5	37.1
Total State Revenue Available	**$ 51,614.9**	**$ 50,523.1**	**$ 52,423.4**	**$ 53,555.9**	**$ 54,348.9**	**$ 55,900.2**	**$ 57,625.4**	**$ 59,495.6**	**$ 61,501.1**	**$ 63,442.0**
Change in Revenue Projection	**$ 3,593.6**	**$ 879.5**	**$ 651.4**	**$ 1,124.0**	**$ 1,089.9**	**$ 617.8**	**$ 332.0**	**$ 423.7**	**$ 386.0**	**$ 302.2**

Projected Debt Metrics

Statistics	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Fiscal Year										
State Revenue Available (In Millions)	$ 48,021.3	$ 49,643.5	$ 51,772.0	$52,431.9	$ 53,259.0	$55,282.4	$ 57,293.3	$59,071.9	$ 61,115.1	$ 63,139.8
Annual Growth Rate of Revenues	1.08%	3.38%	4.29%	1.27%	1.58%	3.80%	3.64%	3.10%	3.46%	3.31%
State Debt Service (In Millions)	2,232.1	1,808.3	1,655.2	1,582.0	1,405.9	1,307.2	1,204.4	1,113.3	1,051.6	990.9
Total State Net Tax-Supported Debt (In Millions)	13,744.7	12,739.0	11,976.2	11,280.4	10,498.5	9,650.3	8,869.3	8,146.5	7,454.9	6,795.9
Debt Service % of Revenue	4.65%	3.64%	3.20%	3.02%	2.64%	2.36%	2.10%	1.88%	1.72%	1.57%
Population (In Thousands)	22,166	22,478	22,779	23,068	23,347	23,617	23,875	24,123	24,361	24,588
Per Capita Personal Income	$ 57,813	$ 59,940	$ 61,503	$ 63,240	$ 65,190	$ 67,370	$ 69,753	$ 72,195	$ 74,659	$ 77,876
Debt Per Capita	620.08	566.73	525.76	489.01	449.67	408.62	371.49	337.71	306.02	276.39
Debt as % of Personal Income	1.07%	0.95%	0.85%	0.77%	0.69%	0.61%	0.53%	0.47%	0.41%	0.35%

Projected Debt Metrics - 2022 Update

Statistics	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Fiscal Year										
State Revenue Available (In Millions)	$ 51,614.9	$ 50,523.1	$ 52,423.4	$53,555.9	$ 54,348.9	$55,900.2	$ 57,625.4	$59,495.6	$ 61,501.1	$ 63,442.0
Annual Growth Rate of Revenues	8.64%	-2.12%	3.76%	2.16%	1.48%	2.85%	3.09%	3.25%	3.37%	3.16%
State Debt Service (In Millions)	2,232.1	1,808.3	1,655.2	1,582.0	1,405.9	1,307.2	1,204.4	1,113.3	1,051.6	990.9
Total State Net Tax-Supported Debt (In Millions)	13,744.7	12,739.0	11,976.2	11,280.4	10,498.5	9,650.3	8,869.3	8,146.5	7,454.9	6,795.9
Debt Service % of Revenue	4.32%	3.58%	3.16%	2.95%	2.59%	2.34%	2.09%	1.87%	1.71%	1.56%
Population (In Thousands)	22,162	22,486	22,794	23,091	23,378	23,653	23,918	24,170	24,412	24,643
Per Capita Personal Income	$ 59,482	$ 61,417	$ 63,262	$ 65,222	$ 67,291	$ 69,491	$ 71,751	$ 74,017	$ 76,334	$ 78,671
Debt Per Capita	620.19	566.53	525.41	488.52	449.07	407.99	370.82	337.05	305.38	275.78
Debt as % of Personal Income	1.04%	0.92%	0.83%	0.75%	0.67%	0.59%	0.52%	0.46%	0.40%	0.35%