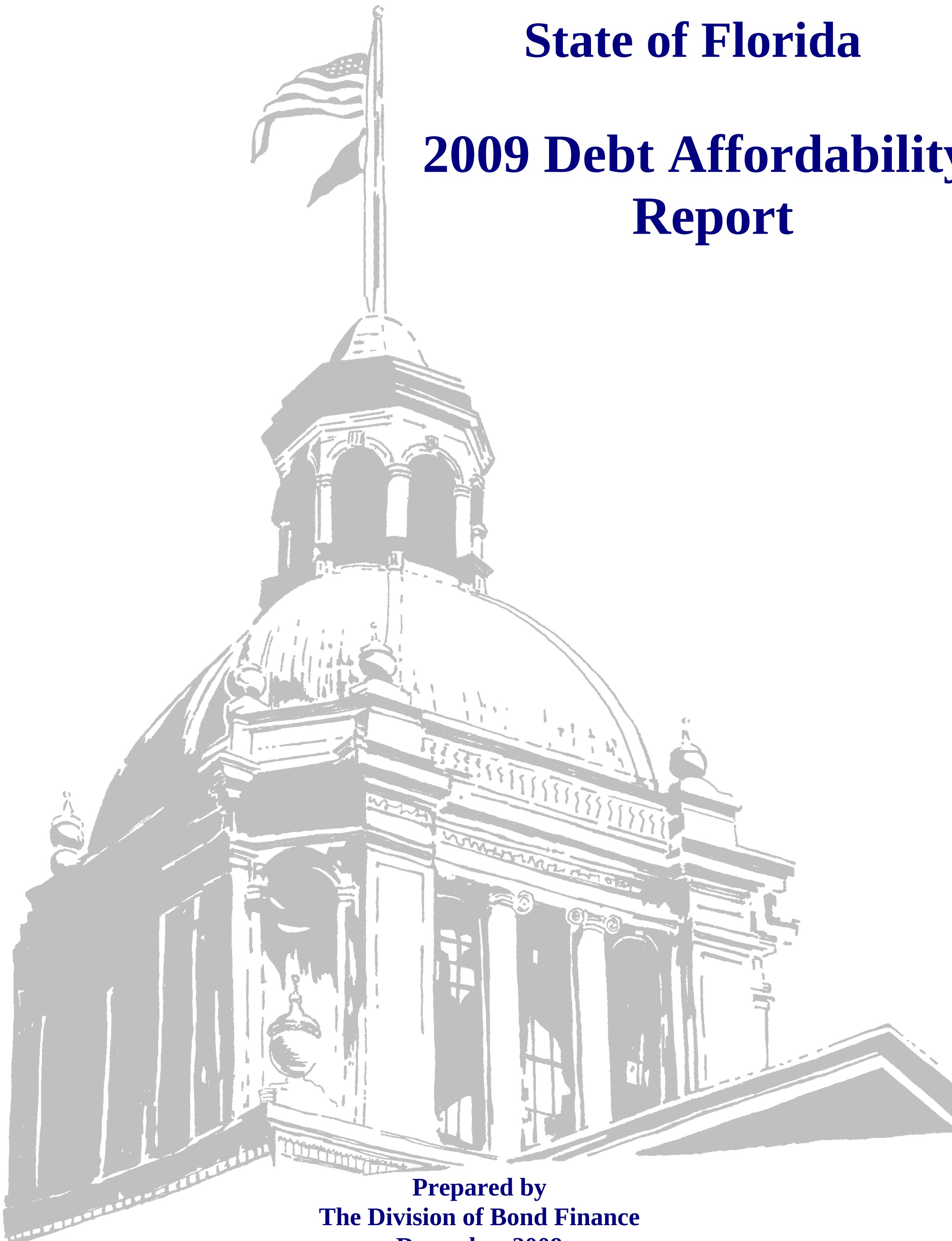
State of Florida

2009 Debt Affordability Report



Prepared by
The Division of Bond Finance
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EXECUTIVE SUMMARY

The purpose of this 2009 Debt Affordability Report is to review changes in the State's debt position over the last year and revise projections used to measure the financial impact of declining revenues and future debt issuance. The 2009 Debt Affordability Report has been prepared as required by Section 215.98, Florida Statutes.

Debt Outstanding: ***Total State debt outstanding was $26.4 billion at June 30, 2009.*** Net tax-supported debt totaled $22.4 billion for programs supported by State tax revenues or tax-like revenues. Self-supporting debt totaled $4.0 billion, representing debt secured by revenues generated from operating bond financed facilities. One new program was added during 2009 as the Department of Transportation implemented Public/Private Partnership (P3) projects and incurred long-term mandatory payment obligations referred to as "availability payments". Additionally, indirect State debt at June 30, 2009 was approximately $14.7 billion. Indirect debt is debt that is not secured by traditional State revenues or is the primary obligation of a legal entity other than the State. Indirect debt has become a much more significant part of the State's overall debt profile due to borrowing by insurance-related entities such as Citizens Property Insurance Corporation and the Florida Hurricane Catastrophe Fund Finance Corporation. However, indirect debt is **not** a component of State debt ratios or the debt affordability analysis.

Revenue Collections: ***Revenue collections in Fiscal Year 2009 of $26.0 billion were $3.7 billion less than Fiscal Year 2008 revenues.*** This follows decreases in revenue collections of $2.6 billion and $0.7 billion in 2008 and 2007, respectively. The reductions in revenue collections resulted from the recessionary economy, deteriorating real estate market and constrained credit markets. Revenues are expected to increase by $2.2 billion in 2010 because federal funds associated with GARVEE bonds for transportation infrastructure are included. ***Revenue declines have challenged the State credit rating and caused the benchmark debt ratio to exceed the 7% cap.***

Overview of the State's Credit Ratings: ***The State maintained its credit ratings during the past year. However, there were several rating actions taken over the last year, both positive and negative.*** Moody's Investor Services placed the State's rating on Watchlist for possible downgrade but the State was removed from the Watchlist following the prudent actions taken by the Legislature in developing the 2010 budget. Standard and Poor's has changed their rating outlook from stable to negative. The Fitch rating was not changed but has a negative outlook. The State's conservative financial and budgeting practices, swift response to budget pressures, adequate reserves, moderate debt burden with clear guidelines and a fully funded pension plan are recognized credit strengths. The projected budget deficit and actions taken to address the projected deficit will be an important rating consideration. ***Maintaining adequate reserves, structural budgetary balance and not relying on non-recurring revenues are critical factors the rating agencies will be evaluating when determining the State's future ratings.***

Reserves: One of the most important indicators of a government's financial strength is its general fund reserves. ***The combined balance of the Budget Stabilization and General Fund was $912.7 million or 4.3% of general revenues at June 30, 2009 which is considered low by rating agencies.*** During Fiscal Year 2009, $2.3 billion of reserves were used to offset declines in revenue collections. ***Reserves are expected to increase in Fiscal Year 2010 to $1.3 billion, or 6.3% of general revenues,*** a more prudent level which is at the low end of the range considered adequate by rating agency guidelines. Adequate reserves have been critical in providing the financial flexibility to react to declining revenues and an important factor in maintaining the State's ratings.

Estimated Debt Issuance: ***Approximately $10.2 billion of debt is expected to be issued over the next ten years for all of the State's currently authorized financing programs.*** This estimate is approximately $3.2 billion or 24% less than the previous projection of expected debt issuance. Expected future issuance is down because PECO expected issuance is $500 million less than last year due to the lack of growth in gross receipt taxes. In addition, the prior projection included $3.4 billion to continue environmental programs which has not been included this year. Expected debt issuance also does not include additional obligations for P3 projects as there is no basis for projecting these transactions.

Estimated Annual Debt Service Requirements: ***Debt service payments now total $2.0 billion per year.*** During Fiscal Year 2009, annual debt service requirements increased by $160.4 million which is greater than the average annual increase of $99 million over the last ten years. The increase in debt service was due to the $3.1 billion of debt incurred over the past year, including the obligations relating to the initial P3 project of $1.2 billion with deferred availability payments which will begin in 2014. Annual debt service payments are estimated to increase by 20% to $2.4 billion over the next four years based on projected bond issuance.

Debt Ratios: The State's benchmark debt ratio of debt service to revenues available to pay debt service has increased significantly over the past year. ***The benchmark debt ratio increased from 6.38% for Fiscal Year 2008 to 7.91% for Fiscal Year 2009. The increase in the benchmark debt ratio is due to the unprecedented reduction in revenue collections in Fiscal Year 2009.*** The benchmark debt ratio is projected to be 7.72% for 2010 and 7.76% for 2011 before improving. The projected benchmark ratio is expected to exceed the 7% cap through 2013 based on existing borrowing plans and current revenue forecasts. However, the benchmark debt ratio could increase further if revenues do not grow as anticipated or additional debt is authorized.

2008 Comparison of Florida to Peer Group and National Medians

	Net Tax Supported Debt as a % of Revenues	Net Tax Supported Debt Per Capita	Net Tax Supported Debt as a % of Personal Income
Florida	**6.38%**	**$1,082**	**2.85%**
Peer Group Mean	**5.45%**	**$1,549**	**3.74%**
National Median	**Not Available**	**$865**	**2.50%**

A comparison of 2008 debt ratios to national and peer-group averages indicate that Florida's debt ratios are generally higher than the national averages but lower than the peer group averages for all but the benchmark debt ratio. The State's ranking in the ten state peer-group has improved over the last ten years although the State remains in the middle of the peer-group. The State moved from fifth to the third highest ratio for the benchmark debt ratio of debt service to revenues within the peer group, remained fifth highest in debt per capita, and moved from seventh to sixth highest in debt as a percentage of personal income.

Debt Capacity: ***There is no debt capacity available within the 7% cap for the next three fiscal years based upon the current revenue projections and existing borrowing plans***. Debt capacity is not available until 2014 when annual debt service declines substantially due to the retirement of Preservation 2000 bonds. The estimated debt capacity available in 2014 is $4.8 billion. The debt capacity available within the 7% cap is approximately $12.4 billion over the next ten years. However, this available capacity will change based on future revenue projections and debt issuance.

INTRODUCTION

In 1999, the Governor and Cabinet, acting as Governing Board of the Division of Bond Finance, requested staff to prepare a Debt Affordability Study. ***The purpose of the study was to provide policymakers with a basis for assessing the impact of bond programs on the State's fiscal position to enable them to make informed decisions regarding financing proposals and capital spending priorities.*** A secondary goal was to provide a methodology for measuring, monitoring and managing the State's debt thereby protecting, and perhaps enhancing, Florida's bond ratings.

A report entitled *"State of Florida Debt Affordability Study"* was prepared and presented to the Governor and Cabinet on October 26, 1999. The Debt Affordability Study was the first comprehensive analysis of the State's debt position. The methodology used to analyze the State's debt position was as follows:

- Catalogued All State Debt;
- Evaluated Trends in Debt Levels Over the Last Ten Years;
- Calculated Debt Ratios;
- Compared Florida Debt Ratios to national Medians and to Ten-state Peer Group Medians;
- Designated Debt Service to Revenues as the Benchmark Debt Ratio;
- Established Guidelines for Calculating Debt Capacity;
  - 6% Debt Service to Revenues as the Target;
  - 8% Debt Service to Revenues as the Cap; and,
- Calculated Debt Capacity Within the Guideline Range.

The Debt Affordability Study enabled the State's debt position to be evaluated using objective criteria. One of the benefits of the Debt Affordability Study was the development of an analytical approach to measuring, monitoring and managing the State's debt position. The process of analyzing the State's debt position also helps integrate debt management practices (an Executive Branch function) with capital spending decisions (a Legislative Branch function). The information produced by the Debt Affordability Study and the yearly updates can be used by policymakers to evaluate the long-term impact of financing decisions and assist in prioritizing capital spending.

During the 2001 Legislative Session, the Legislature adopted the debt affordability analysis by enacting Section 215.98, Florida Statutes. The statute requires the debt affordability analysis to be prepared and delivered to the President of the Senate, Speaker of the House and the chair of each appropriation committee each year and, among other things, designates debt service to revenues as the benchmark ratio. ***Additionally, the Legislature created a 6% target and 7% cap for calculating estimated debt capacity.***

Additional debt that would cause the benchmark debt ratio to exceed the 6% target may be issued only if the Legislature determines that the authorization and issuance of such additional debt are in the best interest of the State. Additional debt that would cause 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 Debt Affordability Study resulted in the development of a financial model which 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 standards and evaluates the impact on the State's debt position of issuing more debt as well as changes in the economic climate reflected in current revenue forecasts.

This 2009 Debt Affordability Report has been prepared to satisfy the requirements of Section 215.98, Florida Statues. ***The purpose of this 2009 Report is to review changes in the State's debt position over the past year and revise the projections of the benchmark debt ratio to evaluate the impact of declining revenues and future debt issuance.*** Performing the debt affordability analysis enables the State to monitor changes in its debt position. The 2009 Report also provides information regarding current revenue estimates that enables the State to anticipate and plan for changing economic conditions in its future borrowing plans.

The essence of the 2009 Report is to revise projected debt ratios for three factors: (1) actual debt issuance and repayments over the last year; (2) expected future debt issuance over the next 10 years; and (3) revised revenue forecasts by the Office of Economic and Demographic Research of the Florida Legislature. The revised debt ratios are compared with national averages and the debt ratios of our ten-state peer group. Additionally, the revised benchmark debt ratio is evaluated vis-a-vis the 6% target and 7% cap. Lastly, ***the target benchmark debt ratio of 6% and the cap of 7% are used to calculate anticipated future debt capacity available within the respective limits.***

The information generated by this analysis will be 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. The analysis will be updated as revenue estimating conference forecasts are revised. The information can then be used by the Legislature to establish priorities during the legislative appropriation process. Accordingly, ***State policymakers will have the latest information available when making critical decisions regarding borrowing when formulating the appropriations act.*** Additionally, as the Legislature considers new financing initiatives, the long-term financial impact of any proposal can be evaluated upon request. ***The information generated by this analysis is important for policymakers to consider because their decisions on additional borrowing can affect the long-term fiscal health of the State.***

COMPOSITION OF OUTSTANDING FLORIDA DEBT

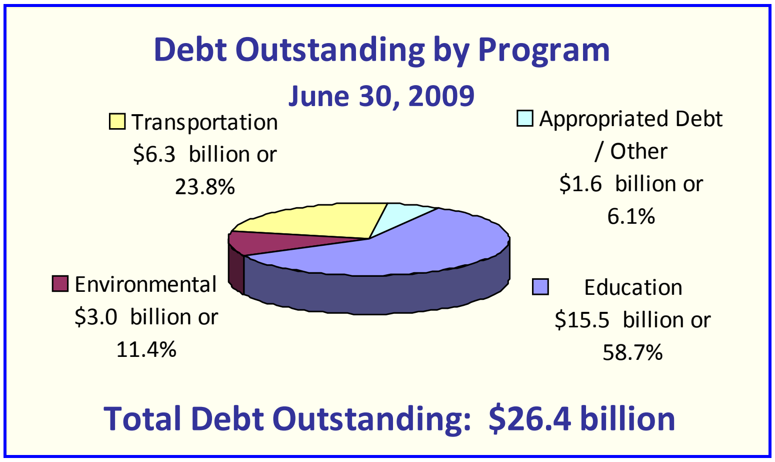


Figure 1

The State of Florida had $26.4 billion total debt outstanding at June 30, 2009. Figure 1 illustrates the State's investment in bond financed infrastructure by program area. The largest investment financed with bonds is for educational facilities, with $15.5 billion or 59% of total debt outstanding devoted to school construction. Public Education Capital Outlay or "PECO" is the State's largest bond program with $10.9 billion of debt outstanding, followed by the Lottery bond program with $2.9 billion of debt outstanding. The second largest programmatic area financed with bonds is for transportation infrastructure. The transportation infrastructure financed with bonds consists primarily of toll roads. The combined investment in toll roads by Florida's Turnpike and the State's Expressway Authorities is approximately $2.9 billion. The third largest investment financed with bonds has been for acquiring land for conservation with $2.5 billion of bonds now outstanding for Preservation 2000/Florida Forever and Everglades Restoration.

As shown in Figure 2, ***the $26.4 billion debt outstanding at June 30, 2009 consisted of net tax-supported debt totaling $22.4 billion and self-supporting debt of $4.0 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. Toll facilities, including the turnpike and other expressway authority bond programs, are the primary self-supporting programs with debt outstanding. The remaining self-supporting debt relates to university auxiliary enterprises such as dormitories and parking facilities and the water pollution revolving loan program which provides low rate borrowing to local governments.

Debt Outstanding by Type and Program

As of June 30, 2009

(In Million Dollars)

Debt Type		Amount
Net Tax-Supported Debt	**$ 22,372.9**	
Self-Supporting Debt	**4,035.8**	
Total State Debt Outstanding		**$ 26,408.7**
Net Tax-Supported Debt		
Education		
Public Education Capital Outlay	$ 10,929.3	
Capital Outlay	694.5	
Lottery	2,933.3	
University System Improvement	250.0	
Community Colleges	77.1	
Total Education		$ 14,884.1
Environmental		
Preservation 2000 / Florida Forever	2,384.5	
Everglades Revenue Bonds	188.5	
Conservation and Recreation	8.3	
Save Our Coast	20.2	
Total Environmental		2,601.5
Transportation		
Right-of-Way and Bridge Acquisition	1,690.3	
State Infrastructure Bank	26.2	
P3 Obligations	1,273.5	
Florida Ports	292.0	
Total Transportation		3,281.9
Appropriated Debt / Other		
Facilities	412.0	
Master Lease	21.2	
FLAIR Lease	6.6	
Energy Saving Contracts	42.0	
Prisons	403.5	
DMS Aircraft Lease	3.9	
Juvenile Justice	13.8	
Children & Families	132.0	
Affordable Housing	156.2	
Sports Facility Obligations	394.9	
Florida High Charter School	19.3	
Total Appropriated Debt / Other		1,605.4
Total Net Tax-Supported Debt Outstanding		**$ 22,372.9**
Self-Supporting Debt		
Education		
University Auxiliary Facility Revenue Bonds		$ 640.3
Environmental		
Florida Water Pollution Control		341.3
Transportation		
Toll Facilities	$ 2,870.7	
State Infrastructure Bank Revenue Bonds	80.9	
Road and Bridge	102.6	
Total Transportation		3,054.3
Total Self-Supported Debt Outstanding		**$ 4,035.8**

Figure 2

In addition to the direct debt comprised of net tax-supported and self-supporting debt, the State also has indirect debt. Indirect debt is that which is not secured by traditional State revenues or is the primary obligation of a legal entity other than the State. Indirect debt is not included in the State's debt ratios and the analysis of the state's debt burden included herein.

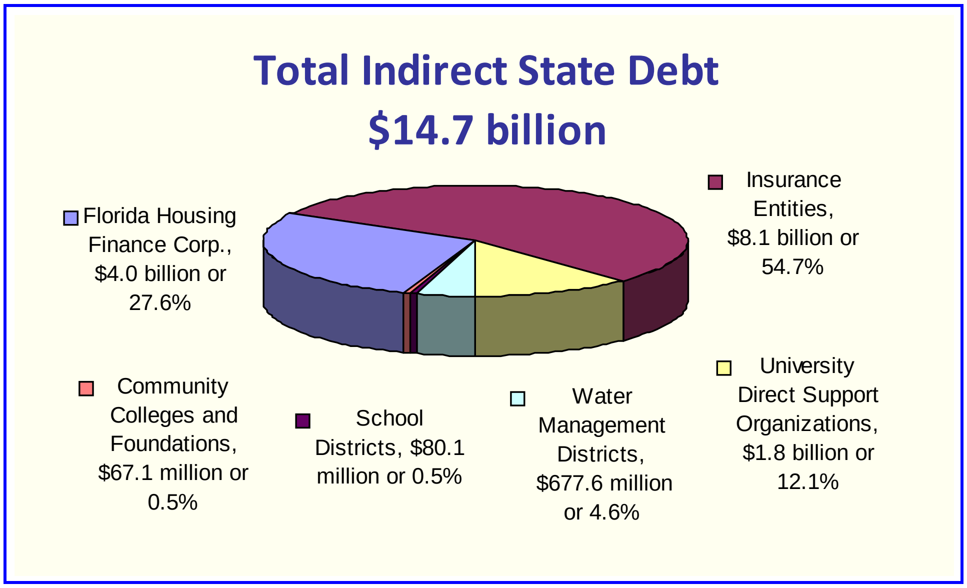


Figure 3

Indirect debt of the State totaled approximately $14.7 billion at June 30, 2009, $1.9 billion less than the previous year-end. The decrease in indirect debt primarily relates to $2.8 billion of debt redeemed by the Florida Hurricane Catastrophe Fund Finance Corporation which was issued to provide liquidity to pay possible future hurricane losses. At June 30, 2009, liquidity debt outstanding for the Florida Hurricane Catastrophe Fund Finance Corporation was $3.5 billion and $1.9 billion for the Citizen Property Insurance Corporation. Figure 3 sets forth the State's indirect debt type. ***Special purpose, quasi-governmental insurance entities now represent 8.1 billion or 55% of total indirect debt.*** The Florida Housing Finance Corporation, which administers the State's housing programs had $4.0 billion of debt outstanding or 28% of the total. University direct support organizations follow with 12% of the indirect debt.

State indirect debt by program is listed in Figure 4 to illustrate which entities incur such debt and for what purpose. For example, 57% of the Florida Housing Finance Corporation debt has been issued for multi-family housing projects and 43% for single family housing. University direct support organization debt makes up approximately 12% of total indirect debt of which 39% is debt of the Shands Teaching Hospital at the University of Florida.

Total Indirect State Debt by Program

(In Millions of Dollars)

Florida Housing Finance Corporation		
Single Family Programs	$ 1,765.8	
Multi-Family Programs	2,300.3	
Total		$ 4,066.1
University Direct Support Organizations		
Shands Teaching Hospital	685.3	
University of Central Florida	350.4	
University of South Florida	379.9	
University of Florida	144.2	
Florida State University	105.4	
Other State Universities	110.1	
Total		1,775.3
School Districts		80.1
Community Colleges and Foundations		67.1
Water Management Districts		677.6
Florida Hurricane Catastrophe Fund Finance Corporation		5,230.6
Citizens Property Insurance Corporation		2,828.8
Total State Indirect Debt		**$ 14,725.6**

Figure 4

GROWTH IN STATE DEBT

Trends in debt are an important tool to evaluate debt levels over time. Figure 5 graphically illustrates the growth in total State direct debt over the last ten years.

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt Outstanding	$16,831.2	$17,958.3	$18,267.4	$19,216.2	$20,380.3	$21,196.9	$22,461.7	$23,025.1	$24,092.3	$24,262.6	$26,408.7
Percentage Change	-	6.7%	1.7%	5.2%	6.1%	4.0%	6.0%	2.5%	4.6%	0.7%	8.8%

Figure 5

The State made a substantial investment in infrastructure over the ten-year period shown, addressing the requirements of a growing population for education, transportation and acquiring conservation lands. ***Total State direct debt has increased by nearly $9.6 billion over the last ten years, increasing from $16.8 billion at June 30, 1999 to $26.4 billion at June 30, 2009.*** The net increase was primarily due to the issuance of PECO bonds ($4.1 billion), lottery bonds ($2.2 billion), Public/Private Partnership (P3) obligations ($1.3 billion), toll bonds ($1.0 billion), and Right-of-Way bonds ($800 million).

Total debt increased 8.8% from $24.3 billion outstanding at June 30, 2008 to $26.4 billion at June 30, 2009 significantly more than the ten-year average of 4.6%. Net tax-supported debt increased by $2.1 billion from June 30, 2008, with increased debt for school construction of $970 million and for transportation infrastructure of $1.2 billion associated with implementing P3 projects. Self-supporting debt is approximately the same as last year.

Section 334.30, FS, authorizes the Department of Transportation to enter into agreements with private entities in order to advance certain transportation projects. The aggregate annual payment obligation for these Public-Private Partnership projects (P3s) may not exceed 15 percent of funds available in the State Transportation Trust Fund (STTF) in any given year. ***Currently, two P3 projects have been approved, and have combined project costs to the State of $1.8 billion with "availability payments" over the next 35 years totaling $3.0 billion.*** The I-595 Corridor Improvement Project is estimated to cost $1.3 billion and the Port of Miami Tunnel Project is estimated to cost $542 million. "Availability Payments" are mandatory scheduled payments which begin once construction is finished in fiscal 2014 and 2015 and continue for 30 years.

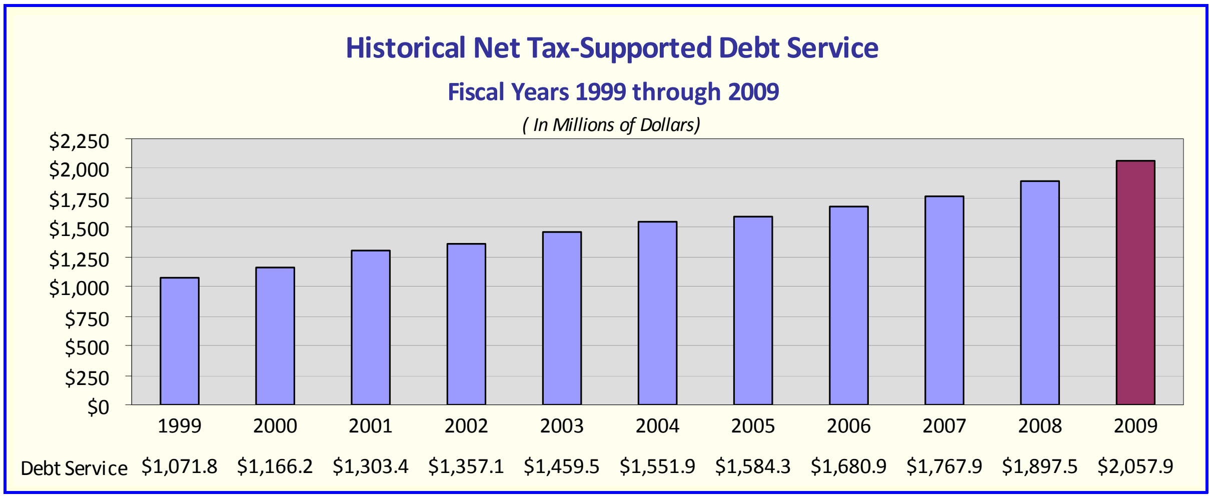


Figure 6

The maximum annual payment for these two P3 projects is $137 million, which is approximately 3.6% of the funds available in the State Transportation Trust Fund. The impact of this increase in annual payments on the 2010 benchmark debt ratio would be approximately 0.5% but availability payments do not commence until 2014/15. The statutory cap on annual payments for P3s is 15% of moneys available in the STTF. The maximum annual payment under the 15% cap is estimated to be approximately $575 million. If the State fully leveraged P3s up to the statutory cap, it would add an estimated $6 billion to the State's debt burden. The corresponding increase in the benchmark debt ratio would be approximately 2%.

Annual net tax-supported debt service grew by $160.4 million, approximately 62% more than the ten-year average annual growth of $99 million. The increase in debt service is consistent with the above average new money debt issuance during 2009 of $3.1 billion, more than twice the $1.4 billion ten-year average annual issuance. Figure 6 depicts the increase in yearly debt service payments caused by the increase in debt issuance over the last ten years.

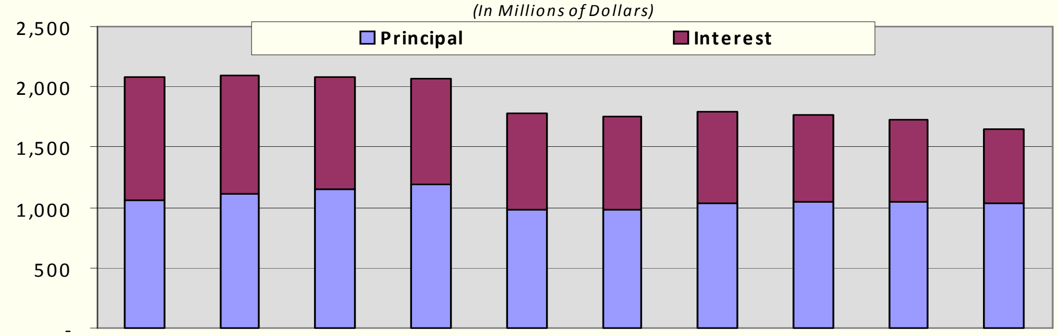
The State's annual debt service payments for existing net tax-supported debt is approximately $2.1 billion per year. The State's annual debt service requirements have nearly doubled over the last ten years, rising from approximately $1.1 billion in 1999 to approximately $2.1 billion in 2009. The increased debt service reflects the increase in debt outstanding. This measure is important from a budgetary perspective because it indicates how much of the State's budget must be devoted to paying debt service before providing for other essential government services.

Debt service for the next ten years on the State's existing net tax-supported debt is shown in Figure 7. The total annual payments consist of both principal and interest on outstanding debt. Payments for debt service on existing outstanding debt total $18.8 billion over the next ten years with principal payments of $10.6 billion and interest payments of $8.2 billion. The State policy of using a level debt service structure is apparent with annual debt service requirements of approximately $2.1 billion per year over the next four years dropping to approximately $1.8 billion in 2014 due to the final maturity of Preservation 2000 bonds.

Net Tax-Supported Existing Debt Service Requirements

Next Ten Years

(In Millions of Dollars)



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Principal	$ 1,060	$ 1,106	$ 1,150	$ 1,191	$ 980	$ 984	$ 1,034	$ 1,046	$ 1,050	$ 1,031	$ 10,633
Interest	1,021	985	931	874	796	766	757	723	672	624	8,150
Total	$ 2,082	$ 2,092	$ 2,082	$ 2,065	$ 1,776	$ 1,750	$ 1,790	$ 1,769	$ 1,723	$ 1,655	$ 18,783

Figure 7

EXPECTED DEBT ISSUANCE

Figure 8 represents the expected debt issuance over the next ten years for each of the state's currently authorized bonding programs. The future debt issuance is based on information provided by various agencies receiving the proceeds of the bonds and does not include any new bonding programs. The projections for expected debt issuance also do not exhaust existing bond capacity under some authorized programs, e.g., Florida Forever and P3s.

Projected Debt Issuance By Program, Fiscal Years 2010 through 2019

(In Millions of Dollars)

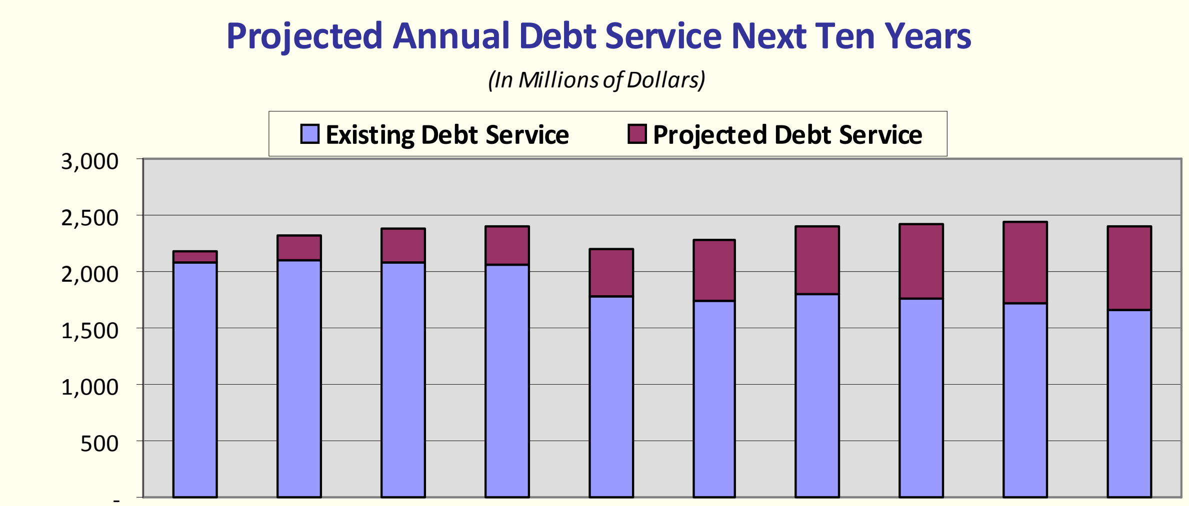
Fiscal Year	PECO	Capital Outlay	Lottery	Inland Protection	Florida Forever	Everglades	Transportation P3 Obligations	ROW	Garvee	Prison Facilities	Master Lease	Energy Contracts	Community College	Total Issuance
2010	$ 841.7	$ 63.5	$ 455.0	$ 102.0	$ 250.0	$ 50.0	$ 542.7	$ 300.0	$ 100.0	$ 337.0	$ 25.0	$ 20.0	$ 63.0	$ 3,149.9
2011	537.4	-	-	-	-	-	-	250.0	-	-	30.0	20.0	-	837.4
2012	102.6	-	-	-	-	-	-	100.0	100.0	-	30.0	20.0	-	352.6
2013	539.7	-	-	-	-	-	-	150.0		-	-	-	-	689.7
2014	1,003.4	-	-	-	-	-	-	200.0	110.0	-	-	-	-	1,313.4
2015	756.0	-	-	-	-	-	-	150.0	150.0	-	-	-	-	1,056.0
2016	528.6	-	-	-	-	-	-	-	275.0	-	-	-	-	803.6
2017	537.4	-	-	-	-	-	-	-	175.0	-	-	-	-	712.4
2018	570.9	-	-	-	-	-	-	-	140.0	-	-	-	-	710.9
2019	525.9	-	-	-	-	-	-	-	-	-	-	-	-	525.9
Total	**$ 5,943.6**	**$ 63.5**	**$ 455.0**	**$ 102.0**	**$ 250.0**	**$ 50.0**	**$ 542.7**	**$ 1,150.0**	**$ 1,050.0**	**$ 337.0**	**$ 85.0**	**$ 60.0**	**$ 63.0**	**$ 10,151.8**

Figure 8

Approximately $10.2 billion is expected to be issued over the next ten years for all of the State's currently authorized financing programs. Estimated debt issuance is approximately $3.2 billion or 24% less than the previous projection in part because of a $1.9 billion reduction for debt issued last year. The decrease in expected issuance is due to the exclusion of environmental bonds due to the limited capacity within the bond programs which has resulted from the reduced revenues pledged to the environmental program bonds. Expected bond issuance also includes the remaining Class size reduction initiative (Lottery) and transportation infrastructure financing (GARVEE) and the implementation of another public/private partnership (P3) contract for the construction of transportation infrastructure.

PROJECTED DEBT SERVICE

Annual debt service is expected to grow to approximately $2.4 billion over the next four years based on existing debt service and projected bond issuance. This represents a 20% increase in annual debt service requirements. Figure 9 shows existing debt service and the estimated annual debt service for the projected bond issuance over the next ten fiscal years. The maximum annual debt service is projected to occur in 2013 at $2.4 billion. The projected decline in annual debt service requirements in 2014 results from the final maturity of the Preservation 2000 bonds. However, the growth in annual debt service resumes in 2015 when mandatory payments begin on the P3 projects started in 2009 and 2010**.**



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Existing	$ 2,082	$ 2,092	$ 2,082	$ 2,065	$ 1,776	$ 1,750	$ 1,790	$ 1,769	$ 1,723	$ 1,655
Projected	93	223	296	337	427	532	603	656	715	754
Total	$ 2,174	$ 2,315	$ 2,377	$ 2,402	$ 2,203	$ 2,281	$ 2,393	$ 2,426	$ 2,437	$ 2,408

Figure 9

LONG-RUN REVENUE FORECASTS

Projected revenue available to pay debt service is one of the two variables used to calculate the benchmark debt ratio. Revenue projections are especially important when changes reflect a different economic environment. ***Changes in revenue estimates have a significant impact on the calculation of available debt capacity because of the multiplier effect.*** Short-term Revenue Estimating Conference projections reduced Fiscal Year 2009 revenue estimates by $2.8 billion and $755 million for Fiscal Year 2010 from last year's projected amounts. ***Estimated general revenues for Fiscal Year 2010 were reduced by a net amount of $1.3 billion or 6% and $1.9 billion or 8% for Fiscal Year 2011 compared with the November 2008 projections.***

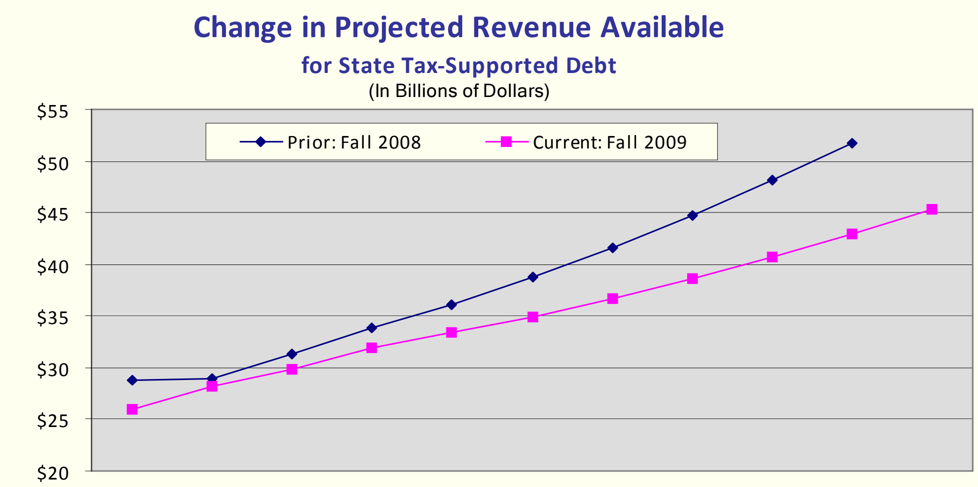
General revenues are available for debt service as well as specific tax revenues pledged to various bond programs such as: gross receipts taxes pledged to the PECO bonds, motor fuel taxes pledged to Right-of-Way bonds, and dedicated percentages of documentary stamp tax collections pledged to the Florida Forever and Everglades Restoration bond programs. Historical and short-term projections of revenues available for debt service by source is provided below.

Projected Revenue Available for State Tax-Supported Debt

	Actual		Projection		
Fiscal Year	2008	2009	2010	2011	2012
Revenue Available *(In Millions)* **:**					
General Revenue	$ 24,112.1	$ 21,025.6	$ 21,031.6	$ 22,409.6	$ 24,234.2
Specific Tax Revenue					
Gross Receipts	1,126.0	1,126.2	1,087.0	1,095.9	1,152.7
Motor Vehicle License	684.5	659.9	653.5	679.0	704.5
Lottery	1,279.8	1,289.1	1,213.5	1,206.8	1,214.9
Documentary Stamp Tax	1,371.4	746.6	681.2	719.0	795.3
Severance Tax	10.0	10.0	10.0	10.0	7.3
Motor Fuel Tax	1,091.7	1,075.5	1,099.5	1,129.1	1,191.0
Motor Vehicle License-Surcharge	18.3	18.0	17.7	18.2	18.7
Tax on Pollutants-IPTF	-	-	193.7	198.9	206.1
University Net Bldg Fees & Cap. Impr.Fees	35.7	34.9	35.8	36.2	37.6
Community College Cap. Impr.Fees	13.7	16.3	16.5	16.7	16.9
Federal Funds Pledged to GARVEE bonds	-	-	2,124.9	2,320.1	2,272.1
Total State Revenue Available	**$ 29,743.1**	**$ 26,002.0**	**$ 28,164.9**	**$ 29,839.5**	**$ 31,851.2**

Figure 10

The projection of revenues available for debt service reflects the reductions in general revenues as well as changes in the forecasts of specific pledged revenues. Figure 11 sets forth the estimated revenues available to pay debt service for the next ten years. Additionally, the chart shows the change in expected revenue collections by comparing the current Revenue Estimating Conference forecast to that used in last year's Debt Affordability Report (November Revenue Estimating Conference). The economic environment over the past year reflects: (1) continuation of a constrained housing market, consumer spending and business investment caused by still tight credit markets; (2) the impact of a spreading national recession to a global recession on business expenditures in Florida in addition to dampening tourism and export growth;(3) the pressure on discretionary spending from the deterioration of wealth from increased job losses, the continued decline of home values and investment assets; and Florida's population has ceased to grow and is not expected to return to historic growth rates.



Total Revenues Available	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Current: Fall 2009 Projection	$ 26.00	$ 28.16	$ 29.84	$ 31.85	$ 33.37	$ 34.88	$ 36.67	$ 38.66	$ 40.75	$ 42.96	$ 45.32
Prior: Fall 2008 Projection	$ 28.77	$ 28.92	$ 31.27	$ 33.86	$ 36.14	$ 38.84	$ 41.64	$ 44.74	$ 48.12	$ 51.76	-

Figure 11

Actual revenues available for Fiscal Year 2009 totaled $26.0 billion or $3.7 billion under the Fiscal Year 2008 amount of $29.7 billion. This was the third consecutive year over year decrease in collections. This year over year revenue decline is the first experienced by the State in over thirty years. The reduction in near term annual revenues is $755 million for 2010 and $1.4 billion in 2011 from the November 2008 projections. ***The decrease in available revenues causes a deterioration in the expected benchmark ratio.*** Underlying the current forecast is the assumption that the extreme financial stress experienced over the last year will improve with the beginning of the new calendar year, with several months of little to no growth expected before full recovery begins in earnest in the spring of 2011.

BENCHMARK DEBT RATIO

The benchmark measure designated for the debt affordability analysis is the ratio of debt service to revenues available to pay debt service. The guidelines established by the Legislature for the debt ratio include a 6% target and a 7% cap. Figure 12 tracks both the historical and projected benchmark debt ratio and illustrates the change from the prior projection. From 1999 through 2003 the ratio increased, exceeding the 6% target in 2003. Then the benchmark ratio declined from 2004 through 2006, due to strong revenue growth. The increase in the benchmark ratio since 2007 illustrates the impact from lower revenues as the economic environment softened and continued to deteriorate as debt service increased. The projected benchmark debt ratio for the next ten years is based on the most current revenue forecasts and expected debt issuance.

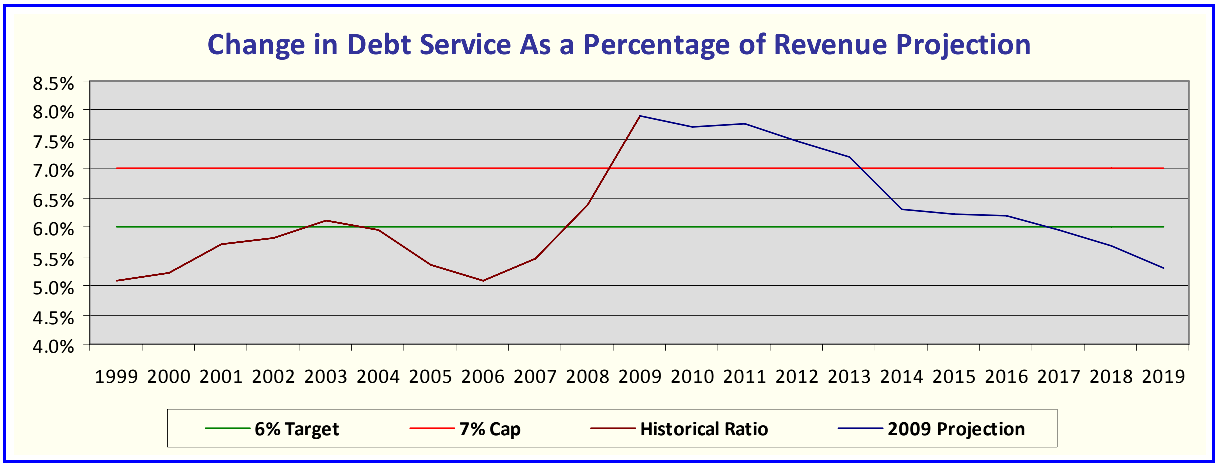


Figure 12

The State's debt position measured by the benchmark debt ratio exceeded the 7% cap for the first time ever reaching 7.91% at June 30, 2009. The dramatic change in the benchmark ratio from 6.38% at June 30, 2008 is the result of the substantial and precipitous decline in revenues over the past year. ***The benchmark ratio is projected to remain over the 7% cap through 2013*** based on the current revenue forecasts and existing borrowing plans. The benchmark debt ratio projections indicate the benchmark ratio has reached a peak and will gradually improve over the projection period. The improvement of the benchmark debt ratio is dependent on realizing the revenue growth included in the revenue projections and foregoing any new bond authorizations beyond those included in existing borrowing plans.

Benchmark Ratio Projection

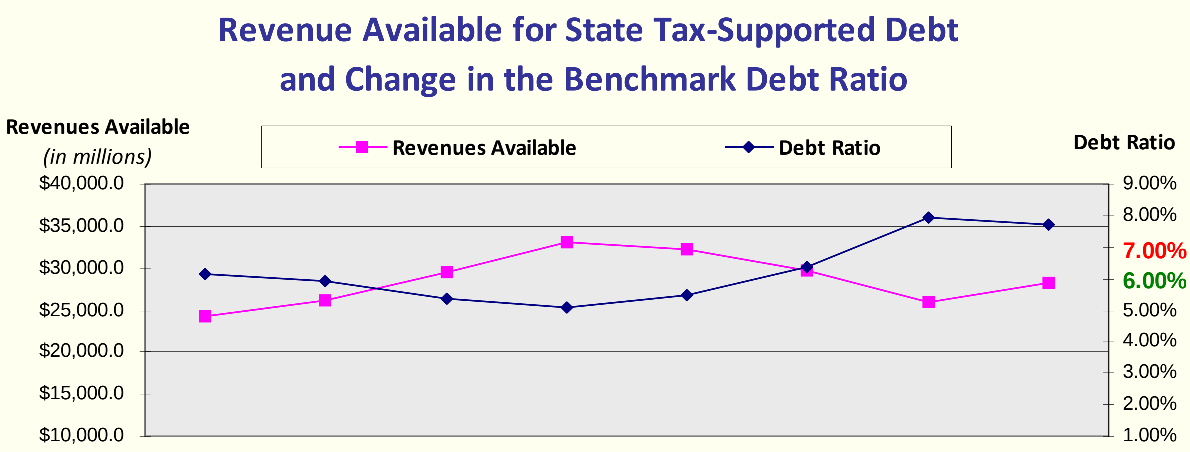
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
2009 Projection	7.91%	7.72%	7.76%	7.46%	7.20%	6.32%	6.22%	6.19%	5.95%	5.67%	5.31%

Figure 13

The 2009 deterioration in the benchmark debt ratio is due to the combined effect from the lower than expected revenue collections coupled with the increase in debt service from the $3.1 billion debt incurred in Fiscal Year 2009. Projected bond issuance does <u>not</u> include a new authorization enacted by the 2008 Legislature totaling approximately $3.4 billion to extend Florida Forever and Everglades Restoration.

IMPACT OF REVENUE REDUCTION ON BENCHMARK RATIO

The significant increase in the benchmark debt ratio is directly attributable to the significant decline in revenue. The graphic below illustrates this dynamic over this latest economic cycle underlying both the period of economic strength (2003-2006) and weakness (2006-2009). As shown in Figure 14, revenue collections grew significantly from 2003 through 2006 and then declined precipitously from 2007-2009 before stabilizing and resuming a positive growth in 2010. Additionally, the revenue decline was sharper in each succeeding year from 2006-2009.



	2003	2004	2005	2006	2007	2008	2009	2010
Revenue	$24,174.3	$26,105.4	$29,545.6	$32,983.6	$32,302.1	$29,743.1	$26,002.0	$28,164.9
Growth	-	$1,931.1	$3,440.2	$3,438.0	($681.5)	($2,559.0)	($3,741.1)	$2,162.9
% Change	-	7.99%	13.18%	11.64%	-2.07%	-7.92%	-12.58%	8.32%
Debt Ratio	6.12%	5.94%	5.36%	5.10%	5.47%	6.38%	7.91%	7.72%

Figure 14

The impact of the decline in revenue collections on the benchmark debt ratio is also illustrated. As revenues decreased the benchmark ratio increased annually reacting in tandem to the revenue reduction. From a financial management perspective, the benchmark debt ratio reflects the appropriate dynamics. When less revenues are available to pay debt service, the policy measure or benchmark debt ratio should increase, as it does, to inform policymakers of the possible need to constrain borrowing. However, the benchmark debt ratio should be used as a guide for long-term decision-making rather than a bright-line test or hard limit on debt issuance.

CHANGE IN DEBT CAPACITY

The last step in the debt affordability analysis is to estimate future available debt capacity. Debt capacity, as presented in this report, is based on current issuance expectations and the most recent revenue projections. Debt capacity can change significantly due to changes in revenue estimates reflecting a different economic environment as it did in the current fiscal year. ***No debt capacity is available over the next three years because the benchmark debt ratio exceeds the 7% cap.***

Debt Capacity Analysis Ten Year Projection

6%Target; 7.0% Cap

(In Millions of Dollars)

		6% Target		7% Cap
Total Debt Capacity Available	$	16,749.9	$	22,549.9
Estimated Bond Issuance	$	10,151.8	$	10,151.8
Net Debt Capacity Available	$	6,598.1	$	12,398.1

Figure 15

Figure 15 shows that based on the 6% target the total bonding capacity over the next ten years would be $16.7 billion. As previously shown, the expected debt issuance for the next ten fiscal years under existing programs is estimated to be approximately $10.2 billion. This leaves approximately $6.6 billion of debt capacity over the next ten years, which represents a $3.3 billion decrease in available debt capacity over last year's estimate. ***The decrease in debt capacity is due to the addition of $1.8 billion in new debt for P3 obligations and the reduced revenue projections.*** No expected issuance has been assumed for the continuation of environmental programs authorized by the 2008 Legislature.

Figure 15 also shows the additional capacity under the 7% cap for the benchmark ratio which could be available to address State infrastructure needs. Total debt capacity within the 7% cap over the next ten years is estimated to be $22.5 billion. ***However, there is no debt capacity available over the next three years. Approximately $4.8 billion of debt capacity becomes available in 2014 when annual debt service declines significantly due to the retirement of Preservation 2000 bonds.*** Estimated debt capacity should be considered a scarce resource to be used sparingly to provide funding for critical State infrastructure needs. Once used, the capacity is not available again for twenty years.

DEBT RATIO COMPARISON

There are three debt ratios used by the municipal bond market to evaluate a government's debt position: debt service to revenues; debt per capita; and debt to personal income. Comparisons to national and peer group medians are helpful because absolute values are not particularly useful without a basis for comparison. A more meaningful comparison is made by using comparable peer group consisting of the ten most populous states.

2008 Comparison of Florida to Peer Group and National Medians

	Net Tax Supported Debt as a % of Revenues	Net Tax Supported Debt Per Capita	Net Tax Supported Debt as a % of Personal Income
Florida	6.38%	$1,082	2.85%
Peer Group Mean	5.45%	$1,549	3.74%
National Median	Not Available	$865	2.50%

Figure 16

Florida's debt ratios are generally higher than the national averages but consistent with the peer-group averages. However, the ten-state peer group comparison as shown in Figure 16 shows that Florida's benchmark debt ratio of debt service as a percentage of revenues is higher than the peer group average.

2008 Comparison of Florida to Ten Most Populous States

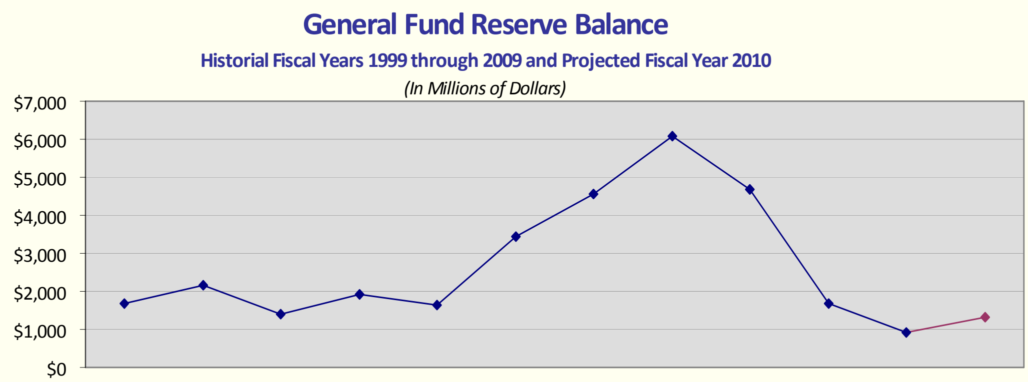
	Rank	Net Tax Supported Debt Service as a % of Revenues	Rank	Net Tax Supported Debt Per Capita	Rank	Net Tax Supported Debt as a % of Personal Income	General Obligation Ratings Fitch/Moody's/S&P
California	1	9.66%	4	$1,805	4	4.40%	BBB/Baa1/A
New York	2	8.25%	2	$2,921	2	6.30%	AA-/Aa3/AA
Florida	3	**6.38%**	5	**$1,082**	6	**2.85%**	**AA+/Aa1/AAA**
New Jersey	4	5.95%	1	$3,621	1	7.30%	AA-/Aa3/AA
Georgia	5	5.93%	6	$984	5	3.00%	AAA/Aaa/AAA
Ohio	6	5.83%	7	$962	7	2.80%	AA/Aa2/AA+
Illinois	7	5.78%	3	$1,877	3	4.60%	A/A2/AA-
Pennsylvania	8	3.07%	8	$950	8	2.50%	AA/Aa2/AA
Michigan	9	2.01%	9	$766	9	2.20%	A+/Aa3/AA-
Texas	10	1.63%	10	$520	10	1.40%	AA+/Aa1/AA+
Median		**5.88%**		**$1,033**		**2.93%**	
Mean		**5.45%**		**$1,549**		**3.74%**	

Figure 17

Figure 17 details the Ten Most Populous State Peer Group Comparison for the three debt ratios evaluated. As indicated above, Florida is in the middle of the group for debt per capita and net tax-supported debt as a percentage of personal income ratios. ***Florida's ranking deteriorated over the past year for the benchmark ratio of debt service as a percentage of revenues which moved to third highest from fifth. The State has remained fifth highest for debt per capita and moved from seventh highest for debt as a percentage of personal income to sixth over the past year.***

LEVEL OF RESERVES

An important measure of financial health is the level of general fund reserves. The following graphic shows the level of the State's general fund reserves over the last ten fiscal years. The graphic also shows the projected year-end general fund balance for Fiscal Year 2010.



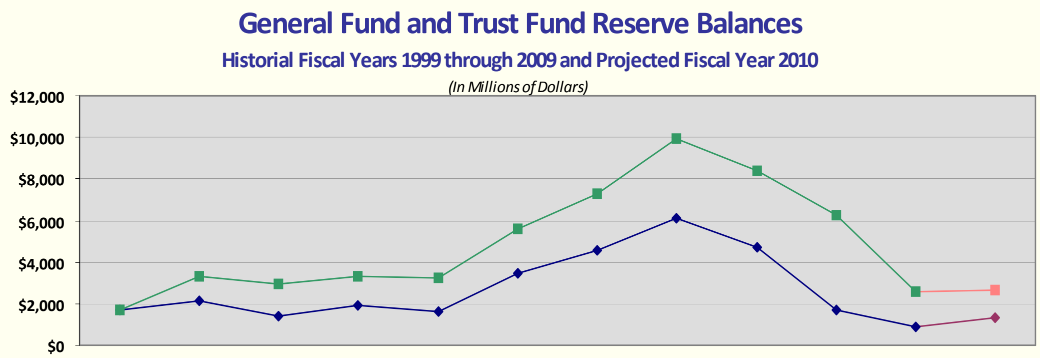
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund Reserves	$ 1,694.3	$ 2,155.9	$ 1,382.7	$ 1,925.1	$ 1,641.3	$ 3,423.6	$ 4,569.8	$ 6,081.2	$ 4,682.1	$ 1,674.6	$ 912.7	$ 1,330.0
Reserves as % of Revenues	9.5%	11.5%	7.2%	10.0%	8.2%	15.7%	18.3%	22.5%	17.7%	6.9%	4.3%	6.3%

Figure 18

Florida's general fund reserves increased substantially from 2003-2006 to an extraordinarily high level of $6.1 billion or 22.5% of general revenues. The growth in reserves strengthened the State's financial position significantly and were cited as a strength in State rating upgrades in early 2005. However, reserve balances have declined over the last three years as they were used to offset spending reductions from declining revenues. In connection with balancing the budget for 2010, the Legislature enacted several revenue enhancements and received significant moneys under the federal stimulus legislation which permitted a more prudent level of reserves to be provided for. ***The State ended Fiscal Year 2009 with general fund reserves of $913 billion or 4.3% of general revenues which is projected to increase to a more prudent level of $1.3 billion or 6.3% of general fund revenues during fiscal 2010. The projected level of reserves are considered adequate by the rating agencies.***

The level of reserves is also an important indicator of the ability to respond to unforeseen financial challenges, which is relevant in evaluating a state's credit position. Historically, Florida's level of reserves resulted from conservative financial management practices and has been cited by the credit rating agencies as a credit strength. The traditional measure used by credit analysts, investors and rating agencies is the ratio of general fund balance to general revenues expressed as a percentage. In measuring State reserves for this purpose, the State's unencumbered general fund balance plus moneys in the Budget Stabilization Fund are included in the calculation. However, trust fund balances which could be considered a "reserve", such as moneys in the Lawton Chiles Endowment Fund and other trust fund balances, have not been previously included in measuring the State's reserves.

The State has historically created trust funds and dedicated specified revenues for a particular purpose. Well over half of the State's budget is comprised of trust funded programs and activities. Established budgetary practices identify trust fund balances that are available and can be used for other purposes. In fact the legislature has routinely permitted trust fund balances to be used as a source of revenues in the general fund budget during periods of economic weakness to mitigate spending reductions from declining revenues. Therefore, including trust fund balances in the reserve analysis provides for a more realistic picture of the State's financial flexibility. Figure 19 below shows the impact of including trust funds in the reserve analysis.



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund Reserves	$ 1,694.3	$ 2,155.9	$ 1,382.7	$ 1,925.1	$ 1,641.3	$ 3,423.6	$ 4,569.8	$ 6,081.2	$ 4,682.1	$ 1,674.6	$ 912.7	$ 1,330.0
Reserves as % of Revenues	9.5%	11.5%	7.2%	10.0%	8.2%	15.7%	18.3%	22.5%	17.7%	6.9%	4.3%	6.3%
Trust Fund Reserves	$ -	$ 1,181.0	$ 1,561.0	$ 1,393.0	$ 1,571.0	$ 2,170.5	$ 2,714.0	$ 3,831.5	$ 3,684.7	$ 4,612.0	$ 1,668.0	$ 1,306.8
Total	$ 1,694.3	$ 3,336.9	$ 2,943.7	$ 3,318.1	$ 3,212.3	$ 5,594.1	$ 7,283.8	$ 9,912.7	$ 8,366.8	$ 6,286.6	$ 2,580.7	$ 2,636.8
Reserves as % of Revenues	9.5%	17.7%	15.3%	17.2%	16.1%	25.6%	29.2%	36.6%	31.7%	26.1%	12.3%	12.5%

Figure 19

Including trust fund balances augments the general fund reserves and better reflects the State's true financial flexibility available from reserves. Figure 19 illustrates the impact of trust fund balances on State reserves over the last ten years. Total reserves (including trust fund balances) was $2.6 billion or 12.3% of general revenues at June 30, 2009.

REVIEW OF CREDIT RATINGS

Credit ratings are the rating agencies' assessments of a governmental entity's ability and willingness to repay debt on a timely basis. ***Credit ratings are an important indicator in the credit markets and influence interest rates a borrower must pay.*** Each of the rating agencies believe that debt management generally, and the Debt Affordability Report in particular, are positive factors in assigning credit ratings.

There are several factors which rating agencies analyze in assigning credit ratings: financial factors, economic factors, debt factors, and administrative/management factors. Weakness in one area may well be offset by strength in another. However, significant variations in any single factor can influence a bond rating.

Florida has very strong credit ratings on its general obligation bonds with the highest rating of "AAA" by Standard and Poor's Rating Services and the next to highest rating category of AA+ and Aa1 by Fitch Ratings and Moody's Investor's Service. The strong ratings reflect the State's conservative financial and budgetary practices with historically swift and continued responses to declining revenues. Credit strengths have also included adequate reserves, moderate debt burden with clear guidelines and a fully funded pension plan. Additionally, Florida remains in the top tier (the top 20%) of all states according to a quantitative scorecard-ranking system developed by Moody's Investors Service. Although the State has avoided being downgraded through the latest negative economic cycle as more fully described below, it remains challenged to maintain structural budgetary balance and adequate reserves.

Several rating actions, both positive and negative, have occurred over the last year. Standard & Poor's changed their outlook of the State's rating from stable to negative in January 2009. The reasons given for the change in the outlook of the State's rating include the severity of the slowdown in the State's economy and the precipitous decline in revenues. ***Moody's placed Florida's rating on Watchlist for possible downgrade in April 2009***. Moody's cited the negative credit impact from the decline in revenues and the current recession. ***In July 2009, Moody's removed Florida from Watchlist and confirmed the State's Aa1 rating with a negative outlook. Removing the State from the Watchlist for a downgrade was due to the prudent actions taken by the Legislature in developing the fiscal 2010 budget. The fiscal 2010 budget addressed structural balance by reducing reliance on non-recurring revenues, significantly increasing recurring revenues, reducing expenditures and planning an increase in the general fund reserves.*** The Fitch rating remained unchanged during the year with a negative outlook.

State of Florida
General Obligation Credit Ratings

Standard & Poor's Ratings Services	AAA
Fitch Ratings	AA+
Moody's Investors Service	Aa1

Figure 20

Economic growth and diversification of the economic base have historically been important elements of the State's credit rating. The State experienced substantial revenue growth and a strong economy for several years which ended in Fiscal Year 2006. Over the last three years, the State has experienced a precipitous decline in revenues due to a weakening economy and deteriorating real estate market exacerbated by the financial crisis and credit tightening. The State's revenue declines over the last three years have been the most extreme reductions experienced over the last thirty years. General revenue collections were down $678 million (2.5%), $2.3 billion (8.7%) and $3.0 billion (12.5%) in each of the last three years. These unprecedented revenue declines have been the steepest drop ever experienced by the State in modern history. The legislature has responded to this challenge by repeatedly making the necessary budget adjustments to maintain a balanced budget. The strategies used to balance the budget have included a combination of spending cuts, use of reserves and stimulus moneys, trust fund transfers and revenue redirects, and fee increases. ***These fiscally responsible legislative actions have been critical to maintaining the State's credit ratings in this challenging economic climate. Although the State has successfully managed the economic recession thus far, challenges from economic weakness and budgetary pressures continue and the rating agencies are closely monitoring developments. Maintaining adequate reserves, structural budgetary balance and not relying on non-recurring revenues are critical factors the rating agencies will be evaluating.***

In addition to the State's general obligation rating, some major bonding programs carry separate ratings based on the revenues that are pledged to secure payment of the bonds. Most notably, the Preservation 2000/Florida Forever/Everglades Restoration bonding programs are secured solely by a portion (63.31%) of documentary stamp taxes. Documentary stamp tax collections have declined from a high of $4 billion in Fiscal Year 2006 to $1.1 billion in 2009 adversely affecting the debt service coverages and ratings on the environmental bonds. Preservation 2000/Florida Forever/Everglades Restoration bonds were downgraded by Fitch from A+ to A- and reviewed by Moody's and S&P. Moody's has affirmed the A1 rating based on the Legislature's action described below. S&P is still reviewing its A rating but no decision has been made regarding whether the current A rating will be affirmed. To mitigate the impact of the deteriorating creditworthiness of the environmental bond programs and prevent a potential default, the Legislature authorized the remaining documentary stamp taxes to be used to pay debt service on environmental bonds. This prudent action has signaled the State's willingness to ensure payment of debt service on its bonds, protected the State from the severe consequences in the credit market of a default and prevented further credit rating downgrades.

CONCLUSION

Over recent years, ***Florida has experienced unprecedented revenue declines which have challenged the State credit ratings and caused the benchmark debt ratio to exceed the 7% cap.*** The Legislature protected existing ratings through prudent fiscal management and timely budget adjustments. The State's response to lower revenues and budgetary pressures will be closely monitored by rating agencies. ***Maintaining adequate reserves, structural budgetary balance and not relying on non-recurring revenues are critical factors the rating agencies will be evaluating.***

Revenue collections in Fiscal Year 2009 of $26.0 billion were $3.7 billion less than Fiscal Year 2008 revenues. This follows decreases in revenue collections of $2.6 billion and $.7 billion in 2008 and 2007, respectively. The reductions in revenue collections have resulted from the recessionary economy, deteriorating real estate market and constrained credit markets. Revenues are expected to increase by $2.2 billion in 2010 because federal funds associated with GARVEE bonds for transportation infrastructure are included. ***Revenue declines have challenged the State budgetarily and from a credit perspective.***

Reserves are critical and provide the financial flexibility necessary to address financial uncertainties. The State has maintained general fund reserves of $912.7 million or 4.3% of general fund revenues for 2009 (considered low). ***The projected general fund reserves for 2010 of $1.3 billion or 6.3% of general fund revenues is adequate, but at the low end of the range considered adequate by rating agency guidelines.*** Trust fund balances are also a form of reserves that the State has used to balance the general fund budget during periods of revenue weakness. Available reserves were used to mitigate the impact of lower revenues as the economy slowed due to a deteriorating real estate market and a weak economy. The judicious use of reserves for operating expenditures is expected during periods of declining revenues and economic weakness. However, replenishment of reserves during stronger economic conditions is important.

Florida's total debt outstanding was at $26.4 billion at the end of Fiscal Year 2009. Net tax-supported debt increased by $2 billion, primarily due to the implementation of the first P3 project which added $1.2 billion in long-term obligations referred to as "availability payments". ***The expected future debt issuance under existing programs over the next ten years totals $10.2 billion, $3.2 billion less than last year's estimate.*** The projected debt issuance does not include any additional amounts for environmental bonds or P3 projects. Florida's debt continues to increase and over the past year grew at a higher rate than the national average. Florida's debt is considered moderate and is manageable at the current level.

Annual debt service requirements on tax-supported debt reached $2.1 billion in 2009. Debt Service increased $160 million or 8.4% over the past year which is indicative of the increase in debt outstanding. Annual debt service requirements are projected to increase by 20% to $2.4 billion over the next four years based on existing borrowing plans.

The benchmark debt ratio was 7.91% at June 30, 2009 exceeding the 7% policy cap. The benchmark debt ratio is projected to exceed the 7% cap for the next three years. The debt ratio is projected to improve slightly in Fiscal Year 2010 reaching 7.72%. ***The increase in the benchmark debt ratio is attributable to the precipitous reduction in revenue collections*** reflecting the impacts from a recessionary economy, deteriorating real estate market and constrained credit market. The projected benchmark debt ratio should be used as a general guide and considered by the Legislature when evaluating future debt authorizations.

There is no debt capacity available over the next three years because the projected benchmark debt ratio exceeds the 7% policy cap. An estimated $4.8 billion of debt capacity becomes available in 2014 due to a substantial reduction in annual debt service caused by the retirement of Preservation 2000 bonds.