

State of Florida
Division of Bond Finance

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New Issue - Book-Entry Only

This official statement has been prepared to provide information about the 2019A Bonds. Selected information is presented on this cover page for the convenience of the reader. *To make an informed decision, a prospective investor should read this Official Statement in its entirety.* Unless otherwise indicated, capitalized terms have the meanings given in Appendix A.



\$123,225,000
STATE OF FLORIDA
Department of Transportation
Federal Highway Reimbursement Revenue Bonds
Series 2019A (Indirect GARVEEs)



Dated: Date of Delivery

Due: July 1, as shown on the inside front cover

Bond Ratings

AA (stable outlook) | S&P Global Ratings
A+ (stable outlook) | Fitch Ratings
A1 (stable outlook) | Moody's Investors Service

Tax Status

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the 2019A Bonds is (a) excluded from gross income of the owners of the 2019A Bonds for federal income tax purposes (except as described under the caption "TAX MATTERS" herein) and (b) not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. See "TAX MATTERS" herein.

Redemption

The 2019A Bonds are not subject to redemption prior to maturity.

Security

The 2019A Bonds will be payable from the Pledged Revenues, which consist of all revenues or funds received by the Department pursuant to Federal Aid Authorization that are legally available for the reimbursement of costs of Eligible Projects under Title 23 of the U.S. Code. **The 2019A Bonds are not a general obligation of the State of Florida, and the full faith and credit of the State of Florida is not pledged to payment of the 2019A Bonds.** See "SECURITY FOR THE 2019A BONDS" herein for more complete information.

Lien Priority

The lien of the 2019A Bonds on the Pledged Revenues is a first lien on such revenues and will be on parity with any subsequently issued Additional Bonds.

Additional Bonds

Additional Bonds payable on a parity with the 2019A Bonds may be issued if the average Pledged Revenues for the two immediately preceding fiscal years are at least 500% of maximum annual debt service on the Outstanding Bonds and the Additional Bonds proposed to be issued. Additional statutory limitations also apply. This description of the requirements for the issuance of Additional Bonds is only a summary of the complete requirements. See "SECURITY FOR THE 2019A BONDS – Additional Bonds" and "General Legal Authority" herein for more complete information.

Purpose

Proceeds of the 2019A Bonds will be used to finance projects eligible for federal-aid highway funds and to pay certain costs of issuance. See "PURPOSE OF THE ISSUE" herein for more complete information.

Interest Payment Dates

January 1 and July 1, commencing July 1, 2020.

Record Dates

December 15 and June 15.

Form/ Denomination

The 2019A Bonds will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases will be made in book-entry form only through Direct Participants (defined herein) in denominations of \$1,000 and integral multiples thereof. Purchasers of the 2019A Bonds will not receive physical delivery of the 2019A Bonds.

Closing/ Settlement

It is anticipated that the 2019A Bonds will be available for delivery through the facilities of DTC in New York, New York on November 7, 2019.

**Bond Registrar/
Paying Agent**

U.S. Bank Trust National Association, New York, New York.

Bond Counsel

Nabors Giblin & Nickerson, P.A., Tampa, Florida.

Issuer Contact

Division of Bond Finance, (850) 488-4782, bond@sbafla.com

Maturity Structure

The 2019A Bonds will mature on the dates and bear interest at the rates set forth on the inside front cover.

October 10, 2019

MATURITY STRUCTURE

<u>Initial CUSIP</u> [®]	<u>Due Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield*</u>
34160DAA4	July 1, 2020	\$ 5,230,000	5.00%	1.22%
34160DAB2	July 1, 2021	8,305,000	5.00	1.22
34160DAC0	July 1, 2022	8,720,000	5.00	1.23
34160DAD8	July 1, 2023	9,160,000	5.00	1.25
34160DAE6	July 1, 2024	9,615,000	5.00	1.26
34160DAF3	July 1, 2025	10,095,000	5.00	1.31
34160DAG1	July 1, 2026	10,600,000	5.00	1.39
34160DAH9	July 1, 2027	11,130,000	5.00	1.45
34160DAJ5	July 1, 2028	11,685,000	5.00	1.51
34160DAK2	July 1, 2029	12,270,000	5.00	1.58
34160DAL0	July 1, 2030	12,885,000	5.00	1.68
34160DAM8	July 1, 2031	13,530,000	5.00	1.78

*Price and yield information provided by the underwriter.

The State of Florida has not authorized any dealer, broker, salesman or other person to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied on. Certain information herein has been obtained from sources other than the State of Florida which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will under any circumstances, create any implication that there has been no change in the affairs of the State of Florida since the date hereof. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor will there be any sale of the 2019A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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Department of Transportation

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Executive Director
State Board of Administration

BOND COUNSEL
Nabors, Giblin & Nickerson, P.A.
Tampa, Florida

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OFFICIAL STATEMENT
Relating to
\$123,225,000
STATE OF FLORIDA
Department of Transportation
Federal Highway Reimbursement Revenue Bonds
Series 2019A (Indirect GARVEEs)

For definitions of capitalized terms not defined in the text hereof, see Appendix A.

INTRODUCTION

This Official Statement sets forth information relating to the sale and issuance of the \$123,225,000 State of Florida, Department of Transportation, Federal Highway Reimbursement Revenue Bonds, Series 2019A (Indirect GARVEEs) (the “2019A Bonds”), dated the date of delivery thereof, by the Division of Bond Finance of the State Board of Administration of Florida (the “Division of Bond Finance”).

The proceeds of the 2019A Bonds will be used to finance projects eligible for federal-aid highway funds and to pay certain costs of issuance. See “PURPOSE OF THE ISSUE” herein for more detailed information.

The 2019A Bonds will be solely payable from the Pledged Revenues, which consist of all revenues or funds received by the Department pursuant to Federal Aid Authorization that are legally available for the reimbursement of costs of Eligible Projects under Title 23 of the U.S. Code. The lien of the 2019A Bonds on the Pledged Revenues is the first lien on such revenues and will be on a parity with any subsequently issued Additional Bonds. See “SECURITY FOR THE 2019A BONDS” herein for a more detailed description of the security for the 2019A Bonds. **The 2019A Bonds are not secured by the full faith and credit of the State of Florida.**

Requests for additional information may be made to:

Division of Bond Finance
Phone: (850) 488-4782
Fax: (850) 413-1315
Email: bond@sbafla.com
Mail: P. O. Box 13300
Tallahassee, Florida 32317-3300

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Any statements made in this Official Statement which involve opinions or estimates, whether or not expressly stated, are set forth as such and not as representations of fact. No representation is made that any of the opinions or estimates will be realized. To make an informed decision, a full review should be made of the entire Official Statement. The descriptions of the 2019A Bonds and the documents authorizing and securing the same do not purport to be comprehensive or definitive. All references to and descriptions of such documents are qualified by reference to the actual documents. Copies of such documents may be obtained from the Division of Bond Finance.

End of Introduction

AUTHORITY FOR THE ISSUANCE OF THE 2019A BONDS

General Legal Authority

The 2019A Bonds are being issued by the Division of Bond Finance on behalf of the Department of Transportation (the “Department”) pursuant to Article VII, Section 11(d), of the Florida Constitution, Sections 215.57 through 215.83, Florida Statutes (the “State Bond Act”), Section 215.616, Florida Statutes, as amended, and other applicable provisions of law. Article VII, Section 11(d), of the Florida Constitution provides that revenue bonds payable solely from funds derived directly from sources other than State tax revenues may be issued by the State or its agencies, without a vote of the electors, to finance or refinance capital projects. Sections 215.59(2) and 215.79, Florida Statutes, authorize the issuance of revenue bonds and the refunding of such bonds by the Division of Bond Finance pursuant to Article VII, Section 11(d), of the Florida Constitution.

Section 215.616, Florida Statutes, specifically authorizes the issuance of bonds to finance the construction, reconstruction, and improvement of projects eligible to receive federal-aid highway funds. Such bonds, including the 2019A Bonds, have a prior and superior claim on all federal highway reimbursements received by the Department. Under current law, the term of the bonds issued pursuant to this section may not exceed 12 years, and the annual debt service on all bonds issued pursuant to this section may not exceed 10% of annual apportionments to the Department for federal highway aid. However, there can be no assurance that the Legislature will not change or amend the law in the future, which may impact the term or amount of bonds that may be issued.

Division of Bond Finance

The Division of Bond Finance, a public body corporate created pursuant to the State Bond Act, is authorized to issue bonds on behalf of the State or its agencies. The Governing Board of the Division of Bond Finance (the “Governing Board”) is composed of the Governor, as Chairman, and the Cabinet of the State of Florida, consisting of the Attorney General as Secretary, the Chief Financial Officer as Treasurer, and the Commissioner of Agriculture. The Director of the Division of Bond Finance serves as an assistant secretary of the Governing Board and directs the day-to-day operations of the Division of Bond Finance, including the issuance of bonds.

State Board of Administration of Florida

The State Board of Administration of Florida (the “Board of Administration”) was created by Article IX, Section 16 of the Florida Constitution of 1885, as amended, and is continued under Article IX, Section 9(c) of the Florida Constitution as revised in 1968. The Board of Administration is composed of the Governor, as Chairman, the Attorney General and the Chief Financial Officer. Under the State Bond Act, the Board of Administration determines the fiscal sufficiency of all bonds proposed to be issued by the State of Florida or its agencies. It also acts as the fiscal agent of the Department in administering various funds and accounts established pursuant to the Resolution. See “SECURITY FOR THE 2019A BONDS – Flow of Funds” herein for a more detailed description of the funds and accounts managed by the Board of Administration.

Department of Transportation

The Department, a State agency, operates under the Florida Transportation Code (see Section 334.01, et. seq., Florida Statutes). The head of the Department is the Secretary of Transportation, nominated by the Florida Transportation Commission, appointed by the Governor and confirmed by the State Senate. The Department is a decentralized agency, with a Central Office, seven District Offices, the Turnpike Enterprise, and the Rail Enterprise.

Administrative Approval

The Department, by a resolution adopted on July 3, 2019, requested the Division of Bond Finance to issue the 2019A Bonds. The Governor and Cabinet of the State of Florida, as Governing Board of the Division of Bond Finance, authorized the issuance of the 2019A Bonds by an authorizing resolution adopted on July 25, 2019 (the “Resolution”). The Resolution is reproduced herein as Appendix B. Pursuant to the Resolution, the Governing Board also adopted a sale resolution on July 25, 2019, which authorized the sale of the 2019A Bonds.

The Board of Administration approved the fiscal sufficiency of the 2019A Bonds by a resolution adopted on July 25, 2019.

Validation of the 2019A Bonds

The validity of the 2019A Bonds has been determined by Final Judgment of the Circuit Court of the Second Judicial Circuit in and for Leon County, Florida, rendered on August 27, 2019. Under the applicable Florida Statutes and Florida Rules of Appellate Procedure, if no appeal is taken from such judgment within 30 days of the entry of the judgment, or if such

judgment is affirmed on appeal, the judgment of validation is forever conclusive as to all matters adjudicated thereby. The judgment became final on September 26, 2019, when the time for filing appeals expired with no appeals filed.

DESCRIPTION OF THE 2019A BONDS

The 2019A Bonds and the interest payable thereon are obligations of the Department, secured by and payable solely from a first lien pledge of the Pledged Revenues on a parity with any subsequently issued Additional Bonds.

The 2019A Bonds are being issued as fully registered bonds in the denomination of \$1,000 or integral multiples thereof. The 2019A Bonds will be dated the date of delivery thereof and will mature as set forth on the inside front cover. Interest is payable on July 1, 2020, for the period from the date of delivery thereof to July 1, 2020, and semiannually thereafter on January 1 and July 1 of each year until maturity or redemption.

The 2019A Bonds will initially be issued exclusively in “book-entry” form. Ownership of one 2019A Bond for each maturity (as set forth on the inside front cover), each in the aggregate principal amount of such maturity, will be initially registered in the name of “Cede & Co.” as registered owner and nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as the Securities Depository for the 2019A Bonds. Individual purchases of the 2019A Bonds will be made in book-entry form only, and the purchasers will not receive physical delivery of the 2019A Bonds or any certificate representing their beneficial ownership interest in the 2019A Bonds. See Appendix E, “Provisions for Book-Entry Only System or Registered Bonds” for a description of DTC, certain responsibilities of DTC, the Department and the Bond Registrar/Paying Agent, and the provisions for registration and registration for transfer of the 2019A Bonds if the book-entry only system of registration is discontinued.

REDEMPTION PROVISIONS

The 2019A Bonds are not subject to redemption prior to maturity.

PURPOSE OF THE ISSUE

The 2019A Bonds are being issued to finance a portion of the costs of acquisition and/or construction of certain highway and bridge projects eligible for federal-aid funds, as shown below. These eligible projects include new construction, system preservation, added capacity, safety improvements, and other system enhancements.

<u>Project</u>	<u>County</u>	<u>Expenditures</u>
Interstate 95 and Interstate 10 Interchange	Duval	\$60,285,779.63
Interstate 95	Volusia	45,382,536.77
State Road 400	Orange	<u>44,331,683.60</u>
Total		\$150,000,000.00

Sources and Uses of Funds

Sources:

Par Amount of the 2019A Bonds	\$123,225,000
Plus: Original Issue Premium.....	<u>27,386,152</u>
Total Sources	<u>\$150,611,152</u>

Uses:

Deposit to the Bond Proceeds Account	\$150,000,000
Underwriter’s Discount	352,793
Cost of Issuance.....	<u>258,359</u>
Total Uses	<u>\$150,611,152</u>

SECURITY FOR THE 2019A BONDS

Pledged Revenues

The 2019A Bonds will be secured by a first lien pledge of the Pledged Revenues, which consist of all revenues or funds received by the Department pursuant to Federal Aid Authorization that are legally available for the reimbursement of costs of Eligible Projects under Title 23 of the U.S. Code. The 2019A Bonds will be solely payable from the Pledged Revenues on a parity with any subsequently issued Additional Bonds. See “SECURITY FOR THE 2019A BONDS - Additional Bonds” below.

The 2019A Bonds are “revenue bonds” within the meaning of Article VII, Section 11(d), of the Florida Constitution, and are payable solely from funds derived directly from sources other than State tax revenues. **The 2019A Bonds do not constitute a general obligation of the State of Florida or any of its agencies or political subdivisions, and the full faith and credit of the State is not pledged to the payment of the principal of, premium, if any, or interest on the 2019A Bonds. The issuance of the 2019A Bonds does not, directly or indirectly or contingently, obligate the State of Florida to use State funds, other than the Pledged Revenues, to levy or to pledge any form of taxation whatsoever or to make any appropriation for payment of the principal of, premium, if any, or interest on the 2019A Bonds. No Registered Owners of the 2019A Bonds will be entitled to require the payment of the principal of or interest on the 2019A Bonds from any funds of the State, the Department, or any other political subdivision or agency of said State, except from the Pledged Revenues pledged for the payment thereof.**

2019A Bonds Not Secured by Reserve Account

There will not be a reserve account funded for the 2019A Bonds.

Flow of Funds

The Resolution establishes the Sinking Fund (consisting of the Debt Service Account and the Reserve Account) and the Rebate Fund. Such funds and accounts constitute trust funds for the purposes provided in the Resolution, and the Registered Owners of the Bonds have a lien on all moneys in such funds and accounts until applied as provided therein. See “MISCELLANEOUS - Investment of Funds” below.

Collection and Application of Pledged Revenues – Pledged Revenues are deposited into the State Transportation Trust Fund created pursuant to Section 206.46, Florida Statutes. The Resolution provides that the Department will make monthly transfers of Pledged Revenues, on the 15th day of each month, from the State Transportation Trust Fund (after provision is made for payment of Administrative Expenses) to the Board of Administration for deposit into the Sinking Fund in the following amounts:

- (i) to the Debt Service Account in an amount equal to 1/6th of the interest payable on the Bonds on the next Interest Payment Date.
- (ii) to the Debt Service Account in an amount equal to 1/12th of the principal amount of the Bonds, including Amortization Installments, maturing on the next Principal Payment Date.
- (iii) to each subaccount in the Reserve Account to the extent necessary to maintain an amount equal to the Reserve Requirement established for the Bonds. No funded Reserve subaccounts exist or are anticipated to be created.
- (iv) to the Rebate Fund to pay the Rebate Amount, if any.

Thereafter, the balance of any moneys remaining in the Sinking Fund shall be transferred to the Department for deposit in the State Transportation Trust Fund to be used for any lawful purpose.

Additional Bonds

The Division is authorized to issue Additional Bonds, but only upon the following terms, restrictions and conditions:

- (a) The proceeds from such Additional Bonds shall be used to finance projects eligible to receive federal aid highway funds or to refund Outstanding Bonds.

(b) The Department shall request the issuance of such Additional Bonds.

(c) The Board of Administration shall approve the fiscal sufficiency of such Additional Bonds.

(d) The Board of Administration, or other appropriate State official, shall certify that the Department is current in all deposits into the various funds and accounts and all payments required to have been deposited or made under the provisions of the Resolution, and the Department is currently in compliance with the covenants and provisions of the Resolution and any supplemental resolution hereafter adopted for the issuance of Additional Bonds, or upon the issuance of such Additional Bonds the Department will be brought into compliance with all such financial requirements, covenants and provisions.

(e) A certificate shall be filed with the Board and the Division signed by an authorized officer of the Department or other appropriate State official setting forth (1) the total amount of federal highway aid reimbursements received pursuant to Federal Aid Authorization during the two immediately preceding Fiscal Years; and (2) the Annual Debt Service and the Maximum Annual Debt Service on the then-Outstanding Bonds and on the Additional Bonds proposed to be issued.

(f) The average amount of Pledged Revenues for the two immediately preceding Fiscal Years, as certified by the Department, will be at least equal to 500% of the Maximum Annual Debt Service on (i) the Bonds then Outstanding and (ii) the Additional Bonds proposed to be issued.

See “AUTHORITY FOR THE ISSUANCE OF THE 2019A BONDS - General Legal Authority” herein for current statutory limitations on issuance of Federal Highway Reimbursement Revenue Bonds.

THE FEDERAL-AID HIGHWAY PROGRAM

The Federal Highway Administration (“FHWA”) administers the Federal-Aid Highway Program (“FAHP”). The FAHP is comprised of a number of separate transportation programs that provide funding to the states, primarily for projects authorized under Title 23 of the United States Code, as amended. The FHWA reimburses a portion of eligible project costs, which must be matched with state or local funds. The federal share is typically 80%, while Interstate projects are generally funded with a 90% federal share. The federal share can effectively be increased to 100% when the State meets its share using toll credits, which are earned when capital transportation investments are funded with toll revenues earned on existing toll facilities.

The FAHP is funded with user-related transportation revenues deposited into the Federal Highway Trust Fund, primarily consisting of federal fuel taxes and other federal taxes on truck users. The FAHP is administered on a reimbursement basis, through a process that requires (1) federal funding authorization; (2) apportionment and allocation of funding to states; (3) obligation of funding (the federal government’s legal commitment to reimburse); (4) appropriations to liquidate obligations; (5) program implementation; and (6) reimbursement payments to states.

Authorization

The process by which a state ultimately receives funding from the FAHP begins with federal authorization. Congress utilizes authorization acts as the primary method of controlling the FAHP by modifying existing programs, adding or eliminating programs, or changing program requirements. The FAHP must be periodically reauthorized by Congress, and since 1978, Congress has passed highway authorization legislation as part of larger, more comprehensive, multi-year (four years or longer) surface transportation acts. Additionally, a surface transportation act can be enacted as a stop-gap funding bill designed to keep the FAHP operational while Congress debates more comprehensive authorizing legislation. The most recent federal authorization for the FAHP was the Fixing America’s Surface Transportation Act (the “FAST Act”), enacted by Congress in 2015, which provides funding through Federal Fiscal Year 2020. Although the authorization provided by the FAST Act covered multiple years, there have been periods in the past where legislation expired before the passage of a new legislative authorization, with short-term extension acts used to ensure the continued operation of the FAHP. For example, prior to the passage of the FAST Act, Congress extended the prior authorization act five times over 14 months using short-term extensions which allowed the FAHP to continue to provide funding while the new federal authorization was under consideration.

Unlike many federal programs, the FAHP’s authorizing legislation provides contract authority (a special type of budget authority) which allows the FHWA to obligate authorized amounts from the Federal Highway Trust Fund without requiring the passage of a separate appropriations bill. The use of contract authority gives states advance notice of the level of federal funding that will be available at the time an authorization act is enacted and eliminates much of the uncertainty contained in the authorization/appropriation sequence that applies to many other federal programs.

Apportionments and Allocations

The FHWA distributes funds authorized by Congress for the FAHP using apportionments and allocations. An apportionment is a distribution of contract authority (not cash) to a state according to a formula. The FAST Act established a lump sum for each state to be divided among the various programs within the FAHP. This lump sum becomes available for obligation by the state on the first day of the Federal Fiscal Year for which funds are authorized. In addition to apportionment, states may receive allocations, which are distributions of federal-aid highway funds on any other basis besides a statutory formula. Specific projects may receive funding in this manner. In the FAST Act, approximately 92% of authorized highway funding was distributed through formulaic apportionments, with the remaining 8% representing allocations to states and funding retained by the FHWA.

Federal-aid highway apportionments are available to states for use for more than one year, and their availability does not terminate at the end of a Federal Fiscal Year like most other federal programs. In general, apportionments are available for three years plus the year that they are apportioned (effectively four years), though certain apportionments are available indefinitely. If a state fails to obligate apportionments within the required time period, the funds will lapse.

Congress, through legislation, can also cancel unused balances of previously authorized funds. This is called a rescission. Congress has included rescissions in a number of surface transportation acts, including the FAST Act, and in recent years has also enacted rescissions in appropriation acts. Most recently, Congress took action through an appropriations act to rescind \$857 million of unobligated balances of federal-aid highway funds appropriated to the states on June 21, 2017, with the Department of Transportation Appropriations Act, 2017, title I of Division K, Public Law 115-31. This rescission was distributed among the states proportionately based on each state's balance of unobligated apportionments, and Florida's share of the rescission was approximately \$27 million. Further rescissions are possible, including the FAST Act's rescission of \$7.6 billion in states' unobligated highway apportionments, to be distributed among the states proportionately, set to occur July 1, 2020. Florida's unobligated balance of apportionments that are not exempt from rescission is \$166,917,943 as of September 30, 2019.

FAHP apportionments and allocations can also be affected by sequestration, which is the cancellation of budgetary resources under a presidential order. Sequestration occurs when federal spending exceeds a limit or target amount and there is an across-the-board reduction in spending. However, recent sequestration acts enacted by Congress (the Pay-As-You-Go Act of 2010 and the Budget Control Act of 2011) have exempted certain programs funded with contract authority from a trust fund as long as that contract authority was subject to an obligation limitation. The vast majority of FAHP funding falls under this exemption, mitigating the effect of sequestration on the program. However, certain portions of the FAHP are exempt from obligation limitations and have therefore been subject to sequestration, including a portion of the National Highway Performance Program (\$639 million per year in annual funding under the FAST Act) and the Emergency Relief Program (\$100 million per year under the FAST Act). Since Federal Fiscal Year 2013, Florida's apportionments under the National Highway Performance Program have been reduced by approximately \$15 million as a result of sequestration.

Congress, in an effort to enforce certain national priorities, has also established a number of statutory penalties that can affect a state's receipt and use of FAHP apportionments. Under the FAST Act, states can be penalized if they do not meet federal requirements related to state traffic safety laws (e.g., use of safety belts, minimum drinking age, and open container requirements); trucks (e.g., weight limitations); proper maintenance of FAHP projects and minimum conditions of interstates and bridges; and planning and environment (e.g., Clean Air Act compliance). The statutory penalties include the withholding of apportionments, transfer of apportionments to a different program within a state, dedication of apportionments to certain projects that will help bring a state into compliance, and suspension of the use of apportionments or project approvals. Florida is currently in compliance with all statutory requirements established by the FAST Act and is not subject to any penalties that affect its FAHP apportionments.

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Florida’s Federal-aid Highway Apportionments and Allocations

Since Federal Fiscal Year 2009, Florida has received approximately \$22.6 billion in federal-aid highway apportionments, the third most of any state during that time period and in line with its status as the third largest state by population. Florida has also received \$267.5 million in federal-aid highway allocations during that time. The table below shows the annual apportionments and allocations received by Florida from Federal Fiscal Year 2009 through 2019.

State of Florida Federal-aid Highway Apportionments and Allocations Federal Fiscal Years 2009 through 2019

<u>Federal Fiscal Year</u>	<u>Apportionments</u> ¹	<u>Allocations</u>	<u>Total Apportionments & Allocations</u>
2009	\$3,199,889,890	\$88,476,815	\$3,288,366,705
2010	1,965,852,487	15,886,630	1,981,739,117
2011	1,966,140,317	12,317,401	1,978,457,718
2012	1,835,524,503	5,342,344	1,840,866,847
2013	1,827,170,634	15,544,728	1,842,715,362
2014	1,828,689,002	2,189,874	1,830,878,876
2015	1,828,689,002	1,795,969	1,830,484,971
2016	1,921,860,645	921,408	1,922,782,053
2017	1,948,889,968	26,862,588	1,975,752,556
2018	2,089,616,287	97,665,498	2,187,281,785
2019	2,177,919,424	535,174	2,178,454,598

Source: State of Florida Department of Transportation

¹ The annual apportionments in Federal Fiscal Year 2009 include Highway Infrastructure Investment apportionments from the American Recovery and Reinvestment Act, and the annual apportionments in Federal Fiscal Years 2018 and 2019 include Highway Infrastructure apportionments from the U.S. Department of Transportation Appropriations Acts of 2018 and 2019.

Obligation of Federal-aid Highway Funds

Obligation is the legal commitment of the federal government to pay for the federal share of an approved project’s eligible costs through reimbursement. After notification of available apportionments and allocations, states may obligate the federal share of a project’s eligible costs. This commitment occurs when the FHWA approves a project and executes a project agreement with a state. The obligation process allows states to award contracts with the assurance that the federal government will reimburse its share of costs. As previously mentioned, the period of availability for the obligation of apportionments is typically four years, and obligated funds are deemed “used” even though no cash is transferred. As a result, once funds are obligated they are no longer at risk of lapsing or subject to rescission.

The FAHP’s use of contract authority allows a smooth and stable flow of funding to the states through the use of multi-year authorizations and multi-year availability of funds. While this is critical to the functioning of the FAHP, it limits Congress’s ability to control federal expenditures related to the program through the annual appropriations process and makes the program less responsive to federal budget policy. To counteract this, Congress places a limit on the total obligations that the FAHP can incur during each year. This obligation limitation is a statutory budget control that does not affect the apportionment or allocation of funds but instead controls the rate at which funds may be used. Surface transportation acts typically include annual obligation limitations with those annual limitations either confirmed or modified through a legislative act during each year’s annual appropriations process. The FAST Act established obligation limitations for each of Federal Fiscal Years 2016 through 2020, and appropriations bills each year confirm or modify those limitations. Once the obligation limitation is set, the FHWA distributes obligation authority to each state proportionately based on each state’s share of apportionments and allocations. However, the actual ratio of obligation authority to apportionments and allocations may vary state to state, since some FAHP programs are exempt from the obligation limitation.

The obligation limitation set by Congress is only available for one fiscal year. During the Federal Fiscal Year, states submit requests to FHWA to obligate funds and each dollar obligated reduces that state’s remaining obligation authority for the year. Unlike apportionments and allocations, a state must use all of its obligation authority in the year that it is made available. If a state cannot utilize its full obligation authority during a Federal Fiscal Year for any reason, it is redistributed by a statutory process to states that can, prior to the year-end deadline, obligate more than their initial share of the obligation limitation. The redistribution of states’ unused obligation authority takes place in August of each year and is referred to as the

August redistribution. The August redistribution ensures that the full amount of obligation authority provided to states, up to the obligation limitation, is used in each Federal Fiscal Year.

Although a state can only obligate up to its obligation authority in a given year, there is flexibility to mix and match the type of program funds it obligates based on its individual needs. Additionally, the unobligated balance of apportionments and allocations is generally carried forward into subsequent Federal Fiscal Years and available for use in those years contingent upon the availability of obligation authority (and assuming that the period of availability for the apportionment and allocations has not lapsed).

Florida’s Federal-aid Highway Obligation Authority

Florida has historically used 100% of its FAHP obligation authority and has typically received additional obligation authority from the FHWA through the August redistribution. The table below shows Florida’s historical FAHP total obligation authority since Federal Fiscal Year 2009, consisting of its initial obligation authority and August redistribution.

**State of Florida
Federal-aid Highway Obligation Authority
Federal Fiscal Years 2009 through 2019**

Federal Fiscal Year	Initial Obligation Authority	August Redistribution (Additional Obligation Authority)	Total Obligation Authority
2009	\$1,690,007,054	\$43,508,057	\$1,733,515,111
2010	1,750,272,800	56,068,601	1,806,341,401
2011	1,779,421,173	60,000,000	1,839,421,173
2012	1,692,872,712	64,940,679	1,757,813,391
2013	1,720,188,250	75,409,571	1,795,597,821
2014	1,704,023,915	90,600,866	1,794,624,781
2015	1,693,156,503	83,737,675	1,776,894,178
2016	1,793,513,693	150,000,000	1,943,513,693
2017	1,779,618,569	158,572,680	1,938,191,249
2018	1,800,894,229	243,064,231	2,043,958,460
2019	1,815,192,267	178,166,856	1,993,359,123

Source: State of Florida Department of Transportation and Federal Highway Administration

Appropriations

While the contract authority provided by the FAHP’s authorizing legislation is not at risk during the federal government’s annual appropriations process, an appropriations act is required in order to liquidate obligations. The FHWA must have the legal authority to outlay a specific amount of cash from the Federal Highway Trust Fund (“FHTF”) each year. This authority is called a liquidating cash appropriation.

The FHWA includes a request for liquidating cash appropriations in the President’s budget request each year. Congress then appropriates the liquidating cash as part of the annual appropriations act, and the FHWA uses that authority to make reimbursement payments to states. Any amount of liquidating cash appropriation that is provided by Congress but not paid out of the FHTF can be carried over and used in the next Federal Fiscal Year. In the event that there is insufficient liquidating cash appropriation to pay the FHTF’s bills during a given year, Congress may enact additional legislation to provide additional liquidating cash appropriation.

In contrast to many federal programs, a lapse in annual appropriations does not materially disrupt the operations of the FHWA. For example, the failure of Congress to enact an annual appropriation prior to the start of a Federal Fiscal Year resulting in a “government shutdown” does not typically impact FHWA’s operations. The FHWA normally has sufficient liquidated cash to continue operations during a lapse in annual appropriations. However, any lapse in annual appropriations or a partial-year budget can reduce the amount of obligation authority that would otherwise be available to the State.

The FHTF was not among the discretionary funding sources impacted by the federal government shutdown from December 22, 2018, through January 25, 2019. In the absence of an appropriations act or a continuing resolution, the overall obligation limitation was based on the levels authorized in the FAST Act. As a result, FHWA did not shut down and there was no lapse in FAHP reimbursements to states. The Department received all FAHP reimbursements that it requested during that time period.

Highway Program Implementation

In order to receive federal reimbursements for transportation projects, states are required to develop long-range transportation plans that are based on realistic projections of state and federal funding. Projects are not eligible for federal reimbursements unless they are either directly identified in a long-range plan or consistent with policies and objectives identified in long-range plans and included in the State Transportation Improvement Program (“STIP”), which is a listing of planned projects with federal participation for the next four years. The STIP must be approved by the FHWA.

States are required to follow federal fiscal management procedures as they implement projects that are included in the STIP. These fiscal management processes ensure that the process is managed efficiently from project authorization to actual payment of FHWA reimbursements to the state. Further, states are required to use a detailed accounting system to track project expenditures and reimbursements. In addition, a federal system tracks payments to states. States may request FHWA approval for eligible projects either through the traditional process or through the advance construction process, as discussed below:

Traditional Approach – Under the traditional highway funding approach, a state obligates the full federal share of the funding for a project at the beginning of the project, concurrent with project authorization. After submission of the project, which must be in the STIP, to the FHWA, the project is evaluated for federal funding eligibility and under a variety of federal requirements. If all requirements are satisfied, the FHWA authorizes federal participation in the project, and obligates the federal share of project costs. It sets aside the appropriate amount of the state’s obligation authority and also sets aside an equivalent amount of apportionments by program. Accordingly, the state must have sufficient obligation authority to cover the level of federal participation it requests.

Advance Construction Approach –The FHWA has implemented several fiscal management techniques that provide states additional flexibility in managing their obligation authority and cash flow. Advance construction and partial conversion of advance construction are two key techniques that facilitate federal-aid project funding.

The advance construction approach allows states to finance projects eligible for federal aid without obligating the full federal share of costs at the beginning of the project. The state may begin a project before accumulating all of the obligation authority needed to cover the federal share of the project. Similar to the traditional approach, the state submits the project to the FHWA for authorization. However, the FHWA is asked to authorize the project without obligating federal funds. The state will provide the up-front financing for the project and then at a later date “convert” the advance construction project to a regular federal aid project and obligate the full federal share of the project costs when sufficient obligation authority is available. At the time of conversion, the state can be reimbursed for the federal share of costs incurred up to the point of conversion.

Under the partial conversion of advance construction approach, the state converts, obligates, and receives reimbursement for only a portion of its funding of an advance construction project in a given year. This removes the requirement to wait until the full amount of obligation authority for the project is available. A state can obligate varying amounts for the project’s eligible cost in each year, depending on how much of the state’s obligation authority is available. Using the technique to partially convert the federal share makes federal-aid funds available to support a greater number of projects.

Under the FAHP, as projects are approved by the FHWA, the aggregate dollar amount of each contract relating thereto will be obligated against the remaining annual amount of obligation authority available to the state. The state will then pay the amounts owed under each contract as work progresses and receive reimbursement from the federal government for the federal share of the total costs. The aggregate amount of reimbursement received by the state in any year is not necessarily equal to the state’s apportionment for such year. Many projects and contracts extend over a number of years which means the aggregate amount made available to the state in any one year, if fully obligated, may be received as reimbursement over a longer period of time relating to the actual pace of construction.

The Department’s Work Program and State Transportation Improvement Program

The Department is responsible for the planning and development of the State’s transportation system. To provide for the planned construction and financing of transportation projects, the Department develops a five-year listing of all planned transportation projects and a complete spending plan for the State Transportation Trust Fund and other funds managed by the Department (the “Work Program”). The five-year Work Program is developed by the seven district offices along with Florida’s Turnpike and the Department’s Central Office in cooperation with the various metropolitan planning organizations in accordance with State law. The five-year Work Program is submitted annually to the Legislature for approval.

The current five-year adopted Work Program sets forth the Department’s transportation projects and objectives through Fiscal Year 2024, and includes over \$50 billion for transportation projects throughout the State, \$10 billion of which is anticipated to be reimbursed by the FHWA for expenditures on Eligible Projects. A majority of projects in the Work Program are eligible for federal aid, but the Department utilizes 100% state funding for many of those projects and the \$10 billion represents only the amount expected to be reimbursed, not the total amount of the current Work Program that would potentially

be eligible for reimbursement. The Department plans transportation projects to maximize the State’s receipts of federal-aid highway funds, using a combination of the traditional and Advance Construction approaches for obligating federal funds.

The Department’s STIP is required to be submitted and approved annually by the FHWA on October 1, the start of the Federal Fiscal Year. The Department is permitted to report the four years of projects on a state fiscal year basis because it is based on the same projects that are included in the first four years of the Department’s adopted five-year Work Program. All projects in the STIP are necessarily included in the Work Program. The Department’s current STIP includes projects with a projected total federal share of approximately \$8 billion, and the Department expects to continue to have sufficient projects which will qualify to allow it to access all federal transportation funds made available to it. The Department has covenanted in the Resolution to annually apply for and reasonably cooperate with the FHWA in order to receive the greatest amount of federal highway aid reimbursements reasonably available to the State.

Reimbursements

Under the FAHP, FHWA does not distribute cash in advance to states. Instead, the FAHP functions as a reimbursement program. As work progresses on a federal-aid highway project, a state will pay the contractor for invoiced, completed work to date from available state funds. The state electronically transmits vouchers for the federal share of state paid completed work and certifies to FHWA that the claims for payment are in accordance with the terms of the project agreements and applicable state and federal laws. After review and approval by the FHWA, payment is scheduled for the date requested by the state. Payment is transferred directly from a Federal Reserve Bank to the state’s account by wire transfer.

Department’s FHWA Billing Procedures

Projects contained in the Department’s STIP are submitted to FHWA for approval and obligation of funds. Once FHWA has approved a project, the Department executes contracts and begins construction expenditures. Invoices for completed work are paid with available funds from the State Transportation Trust Fund (“STTF”), the State’s dedicated funding source for transportation purposes. Funding of the STTF comes from a variety of sources, including motor fuel taxes, motor vehicle fees, and FHWA reimbursements. The Department submits its paid invoices to FHWA on a weekly basis for reimbursement, and FHWA wires reimbursements each week to the Department, generally within two days of submission of the invoice. The reimbursement funds are deposited into the STTF.

Cash Balance of the STTF

The Department is required by State law to maintain an available cash balance of not less than \$50 million as of the close of business of the 10th calendar day following the end of each quarter of the Fiscal Year. The Department currently targets a minimum cash balance of \$200 million and has historically managed to maintain an available cash balance significantly higher than the \$50 million required by law, as demonstrated in the table below.

**State Transportation Trust Fund
End of Month Cash Balances
Fiscal Year 2009 through 2020
(in millions of dollars)**

<u>Fiscal Year</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020¹</u>	<u>Since FY 2009</u>
Minimum	\$349.6	\$308.3	\$233.9	\$260.0	\$230.0	\$403.4	\$458.6	\$569.5	\$208.4	\$199.2	\$131.7	\$399.5	\$131.7
Maximum	1,007.5	574.6	515.4	558.9	710.8	1,167.9	1,135.6	1,012.8	633.1	629.1	698.0	619.0	1,167.9
Average	673.9	447.7	373.6	374.6	413.5	814.8	711.5	795.7	377.8	404.4	442.2	527.3	529.9

Source: State of Florida Department of Transportation.

¹ Monthly balances through September 30, 2019.

THE FEDERAL HIGHWAY TRUST FUND

Payments to states for eligible project costs come from the Federal Highway Trust Fund (“FHTF”). The FHTF was created in 1956 and designed as a user-supported fund, with revenues of the FHTF intended to fund highways and the taxes dedicated to the FHTF paid by users of highways. Federal fuel taxes, other federal taxes on truck users, and interest earnings are dedicated to transportation projects. These taxes are directly paid by the producers or importers of the taxable product but become part of the highway user’s cost. States contribute to the FHTF based on the amount of taxes paid by highways users of each state.

The FHTF is composed of two accounts: the Highway Account, which funds highway programs, and the Mass Transit Account, which funds public transportation. Federal gasoline excise taxes are the largest revenue source for the FHTF, with the majority of these tax revenues going to the Highway Account, which receives 15.44 cents per gallon of the current 18.4 cents per gallon tax on gasoline (approximately 84% of such tax), and 21.44 cents per gallon of the current 24.4 cents per gallon tax on diesel (approximately 88% of such tax), with 0.1 cent per gallon of each tax reserved for the Leaking Underground Storage Tank Fund and the remaining share of each tax deposited in the Mass Transit Account.

Statutory Authority

The statutory authority related to the operation of the FHTF and the tax revenues which fund the FHTF have expiration dates and must be extended periodically. This includes the statutory authority to (i) impose the taxes that are dedicated to the FHTF; (ii) place the revenues generated by those taxes in the FHTF; and (iii) expend FHTF funds on federal-aid highway projects. Congress has repeatedly extended each of these operations for the six decades that the FHTF has been in operation, most recently with the FAST Act. The FAST Act reauthorized imposing most taxes dedicated to the FHTF through September 30, 2022, allocated the resulting revenues to the FHTF, and extended the authority to expend funds from the Highway Account of the FHTF through September 30, 2020.

History of Highway Account Balances

The following table shows the balance in the Highway Account of the FHTF for Federal Fiscal Year 2010 through August 31, 2019. Due to the reimbursement nature of the FAHP, the status of the Highway Account requires consideration of both commitments and projected revenues. While the cash balance may be positive at year-end, this does not necessarily represent excess cash as those funds may already be committed, via apportionments, allocations, and obligations, to reimburse states for eligible projects.

Balance of the Highway Account of the FHTF
Federal Fiscal Years 2010 through 2018, and as of August 31, 2019
(in billions of dollars)

	Federal Fiscal Year									
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019¹</u>
Opening Balance	\$8.881	\$20.743	\$14.323	\$9.731	\$3.771	\$11.376	\$9.040	\$51.435	\$41.443	\$32.605
Receipts:										
Net Tax Receipts	30.150	31.961	35.143	31.800	34.066	35.740	36.062	35.699	37.265	32.215
Interest Income	0.012	0.011	0.005	0.005	0.003	0.001	0.092	0.281	0.543	0.582
Other Receipts	<u>14.730²</u>	<u>0.038</u>	<u>2.493³</u>	<u>5.899⁴</u>	<u>18.435⁵</u>	<u>6.092⁶</u>	<u>52.120⁷</u>	<u>0.128⁸</u>	<u>0.120⁹</u>	<u>0.096</u>
Total Receipts	44.893	32.010	37.641	37.704	52.504	41.834	88.274	36.108	37.928	32.893
Transfers:										
To Mass Transit Account	(1.052)	(1.140)	(1.103)	(0.796)	(1.159)	(1.246)	(1.170)	(1.175)	(1.700)	(1.400)
From Mass Transit Account	0.028	0.034	0.020	0.050	0.051	0.029	0.078	0.052	0.066	0.069
Outlays	(32.007)	(37.325)	(41.150)	(42.917)	(43.791)	(42.952)	(44.787)	(44.977)	(45.132)	(40.335)
Closing Balance	\$20.743	\$14.323	\$9.731	\$3.771	\$11.376	\$9.040	\$51.435	\$41.443	\$32.605	\$23.832

Source: Federal Highway Administration Table FE-1 as of August 2019.

¹ Balance through August 31, 2019.

² Includes a transfer of \$14.7 billion to the Highway Account from the General Fund.

³ Includes a transfer of \$2.4 billion to the Highway Account from the Leaking Underground Storage Tank Trust Fund.

⁴ Includes a transfer of \$6.2 billion to the Highway Account from the General Fund, of which \$316.2 million was sequestered.

⁵ Includes transfers of \$10.4 billion to the Highway Account from the General Fund, of which \$748.8 million was sequestered, \$7.765 billion to the Highway Account from the General Fund, and \$1.0 billion to the Highway Account from the Leaking Underground Storage Tank Trust Fund.

⁶ Includes a transfer of \$6.068 billion to the Highway Account from the General Fund.

⁷ Includes transfers of \$51.9 billion to the Highway Account from the General Fund and \$100.0 million to the Highway Account from the Leaking Underground Storage Tank Trust Fund.

⁸ Includes a transfer of \$100 million to the Highway Account from the Leaking Underground Storage Tank Trust Fund, of which \$6.9 million was sequestered.

⁹ Includes a transfer of \$100 million to the Highway Account from the Leaking Underground Storage Tank Trust Fund, of which \$6.6 million was sequestered.

Transfers to Maintain Solvency

The FHTF is required under current federal law to maintain a positive balance to ensure that prior commitments for the distribution of federal revenues can be met. Since Federal Fiscal Year 2008, the FHTF's spending has exceeded its revenues by a total of \$115 billion. As a result, Congress has had to supplement the Highway Account of the FHTF with transfers from other sources to maintain solvency and avoid delaying payments to states. The majority of these transfers have come from the General Fund of the United States Treasury, with smaller amounts from other sources such as the Leaking Underground Storage Tank Trust Fund. Most recently, the FAST Act transferred \$70 billion to the FHTF in December 2015 (\$52 billion to the Highway Account and \$18 billion to the Mass Transit Account) as the FHTF's balance neared exhaustion. Including that amount, the transfers to the FHTF authorized by Congress since 2008 have totaled almost \$144 billion. As described in the footnotes to the table above, certain of these transfers have been subject to sequestration, which has reduced the net amount received by the Highway Account.

FHTF Revenue and Balance Projections

The Congressional Budget Office ("CBO") provides revenue projections for the taxes which fund the FHTF and also estimates the future balances in the FHTF. As of May 2019, the CBO projects that spending from the FHTF will total \$55.7 billion in Federal Fiscal Year 2019 (\$46.0 billion from the Highway Account), with revenues and interest credited to the FHTF expected to total \$43.4 billion (\$37.9 billion to the Highway Account). The primary source of funds in the FHTF is federal excise taxes on the consumption of motor fuels and retail sales of trucks. The CBO's August 2019 estimates for the annual net revenues from these taxes includes a slight decrease from \$41.8 billion to \$40.9 billion over the 10-year period from 2019 to 2029, with an average annual decline of 0.2%. The slight decline in highway revenues is the net effect of falling receipts from taxes on gasoline and rising receipts from taxes on diesel fuel and trucks. Gasoline consumption is expected to decline because improved fuel economy is expected to more than offset the increase in the number of per capita miles driven due to population growth. Increased fuel economy is also expected to reduce the consumption of diesel fuel over the 10-year period.

As of May 2019, the CBO predicts that, assuming that the taxes that fund the FHTF are extended by Congress beyond the current expiration date in 2022 and that the obligations paid from the FHTF increase at the rate of inflation, the balances in the Mass Transit Account of the FHTF and the Highway Account of the FHTF will be exhausted in Federal Fiscal Year 2022. Additionally, the CBO projects that following the expiration of the FAST Act, from Federal Fiscal Year 2021 through Federal Fiscal Year 2026, the Highway Account of the FHTF will have a cumulative funding shortfall of \$70 billion. Unless Congress enacts a measure to address revenue generation for the FHTF, this projected shortfall may impact the availability of Pledged Revenues to pay debt service on the 2019A Bonds.

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DEPARTMENT RECEIPTS OF FEDERAL-AID HIGHWAY FUNDS

The amount of federal-aid highway funds the Department will receive in the future is dependent on several factors, including the amount of apportionments and allocations provided to the State by the federal government under the FAHP, the receipt of obligation authority, and the Department’s expenditures on eligible projects.

Historical Receipts of FHWA Reimbursements

Since multi-year federal authorizations began in 1978, the State has received funding through the FAHP. The following table sets forth the Department’s annual apportionments and allocations, obligation authority, and FHWA reimbursements from Federal Fiscal Year 2009 through 2019.

**Receipts of Federal-aid Highway Funds
Federal Fiscal Years 2009 through 2019**

<u>Federal Fiscal Year</u>	<u>Total Apportionments & Allocations</u>	<u>Total Obligation Authority</u>	<u>FHWA Reimbursements</u>
2009	\$3,288,366,705	\$1,733,515,111	\$1,557,832,108
2010	1,981,739,117	1,806,341,401	1,763,859,061
2011	1,978,457,718	1,839,421,173	1,747,065,094
2012	1,840,866,847	1,757,813,391	1,892,245,412
2013	1,842,715,362	1,795,597,821	2,131,079,520
2014	1,830,878,876	1,794,624,781	2,279,880,427
2015	1,830,484,971	1,776,894,178	2,504,788,273
2016	1,922,782,053	1,943,513,693	2,121,906,848
2017	1,975,752,556	1,938,191,249	2,196,947,397
2018	2,187,281,785	2,043,958,460	2,092,286,827
2019	2,178,454,598	1,993,359,123	2,189,170,811

Source: State of Florida Department of Transportation and Federal Highway Administration.

From Federal Fiscal Year 2008 through 2019, the minimum monthly reimbursement received by the Department from FHWA was approximately \$34.1 million, the maximum monthly reimbursement received was approximately \$492.7 million, and the average monthly reimbursement received was approximately \$170.9 million. Set forth below are the Department’s monthly receipts of federal-aid reimbursements.

**Monthly FHWA Reimbursements
Federal Fiscal Year 2008 through 2019
(in millions of dollars)**

<u>Federal Fiscal Year</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Since FFY 2008</u>
Minimum	\$ 55.6	\$ 34.1	\$ 79.7	\$ 90.3	\$ 83.4	\$ 66.8	\$ 76.7	\$ 43.9	\$ 71.9	\$ 61.5	\$ 65.2	\$ 40.3	\$ 34.1
Maximum	296.8	258.1	330.7	210.6	274.2	492.7	300.7	468.4	435.0	410.7	293.4	332.0	492.7
Average	177.8	129.8	147.0	145.6	157.7	177.6	190.0	208.7	176.8	183.1	174.4	182.4	170.9

Source: State of Florida Department of Transportation.

Obligated Unreimbursed Balances

Once obligated, federal-aid highway funds are available to be drawn down over several years. Such amounts are not subject to Congressional reauthorization or budget procedures. Because of the multi-year nature of many projects, at any given time the Department has available a balance of obligated but unreimbursed funds. This obligated unreimbursed balance represents amounts of federal reimbursement that will be paid to the State as the current transportation projects in process are completed. Upon receipt of federal reimbursement of such obligated unreimbursed balances, the State may use such funds to satisfy the principal and interest requirements on the Bonds in future years. The following table sets forth the Department's obligated unreimbursed balances at the end of each of the Federal Fiscal Years 2009 through 2019.

Unreimbursed Federal Obligations by Federal Fiscal Year

<u>Federal Fiscal Year</u>	<u>Unreimbursed Federal Obligations</u>
2009	\$1,925,405,475
2010	2,216,334,444
2011	2,430,524,465
2012	2,579,610,686
2013	2,504,255,550
2014	2,003,776,996
2015	1,571,192,489
2016	1,490,468,916
2017	1,254,930,067
2018	1,242,239,115
2019	1,146,751,615

Source: State of Florida Department of Transportation.

FACTORS AFFECTING FEDERAL-AID HIGHWAY FUNDS

Future Reauthorizations, Extensions and Changes in Law

The FAHP, as discussed above, must be periodically reauthorized by Congress, and has historically been authorized under multi-year authorizing legislation. The most recent legislation, the FAST Act, enacted December 4, 2015, reauthorizes the FAHP through September 30, 2020. There can be no assurance that such previously authorized federal tax collections will be continued under any future federal reauthorizing legislation or that, if continued, such previously authorized federal tax collections will be sufficient to assure that federal-aid highway funds will be available as needed. Congress may amend existing laws or fail to reauthorize expired transportation legislation, or future legislation, or lack thereof, or federal administration action may reduce the amount of federal-aid highway funds available to the Department. Furthermore, there can be no assurance that Congress will provide any appropriation to supplement such previously authorized federal tax collections. Changes in law, regulation or policy or a decrease in federal revenues may materially adversely affect the availability of federal-aid highway funds.

Projected Shortfalls in the Federal Highway Trust Fund

In response to projected FHTF shortfalls, Congress has from time to time in the past enacted legislation authorizing the transfer of billions of dollars from the General Fund of the United States Treasury to the FHTF. See "THE FEDERAL HIGHWAY TRUST FUND" herein for more information. The recent contentious nature of the congressional budget process has created a level of uncertainty regarding budget-related legislation. Although Congress has taken legislative action in the past to address projected shortfalls in the FHTF, there can be no assurance that additional legislative action will be taken by Congress to address future shortfalls or that any such action taken will be sufficient to ensure federal funding for the FAHP will be available as needed. It is possible that, without further legislative action, the long-term viability of the FHTF could be adversely impacted, thereby jeopardizing the availability of federal-aid highway funds to pay debt service on the 2019A Bonds.

U.S. Treasury Offset Program

The U.S. Treasury Offset Program ("TOP") is administered pursuant to the Debt Collection Improvement Act of 1996 and the regulations related thereto. The TOP allows federal agency payments to be offset by delinquent debts owed to the United States or another state by, among others, a state or local government. This administrative offset under the TOP is precluded only when another law specifically prohibits the offset. While transportation funds are rarely affected by offsets, it is possible for the payment of federal-aid highway funds to the Department to be intercepted by the U.S. Treasury under TOP to satisfy a delinquent debt of the State or the Department incurred on another federal program. In the last five years, no payments from FHWA to the Department have been delayed or withheld as a result of TOP. The Department ensures that all agreements and transactions with the federal government use a unique Department taxpayer identification number to alleviate any concerns that actions by other State agencies could affect the Department's receipt of federal-aid highway funds. However, no assurances can be given on whether future payments of federal-aid highways funds to the Department will be delayed or withheld as a result of the TOP. Any such delay or withholding could affect the future availability of federal-aid highway funds to pay debt service on the 2019A Bonds.

PLANNED NEAR-TERM ADDITIONAL BONDS

Based on the current Work Program, the Department plans to issue approximately \$1.3 billion in Additional Bonds, including the 2019A Bonds, in various series over the next five years from Fiscal Year 2020 through Fiscal Year 2024 as shown below.

<u>Fiscal Year</u>	<u>Estimated Bonding</u>
2020	\$123,225,000 ¹
2021	400,000,000
2022	600,000,000
2023	170,000,000
2024	-
Total	\$1,293,225,000

Source: State of Florida Department of Transportation.

¹ Represents the 2019A Bonds.

The actual timing and amounts of future bonding will depend on the Department’s need for proceeds, which is based on various factors including the availability of revenues and spending on the Work Program, both of which are monitored by the Department on an ongoing basis to evaluate the need for revisions to the Work Program. Future issuance of Additional Bonds is also subject to the Department’s ability to meet requirements under State law and provisions in the Resolution. See “AUTHORITY FOR THE ISSUANCE OF THE 2019A BONDS - General Legal Authority” and “SECURITY FOR THE 2019A BONDS – Additional Bonds” herein for more information.

DEBT SERVICE COVERAGE

The following table shows the historical Pledged Revenues. Pro forma calculations for maximum annual debt service coverage have been provided based on the maximum annual debt service for the 2019A Bonds and estimated future Additional Bonds planned to be issued over the next five years. However, there were no Outstanding Bonds from Fiscal Year 2015 through Fiscal Year 2019.

Historical Pro Forma Debt Service Coverage *(in thousands of dollars)*

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Pledged Revenues ¹	\$2,104,727	\$2,356,221	\$2,155,394	\$2,391,607	\$2,196,000
Annual Debt Service ²	-	-	-	-	-
Maximum Annual Debt Service ²	\$148,869	\$148,869	\$148,869	\$148,869	\$148,869
Debt Service Coverage Ratio					
Annual Debt Service ²	-	-	-	-	-
Pro Forma Maximum Annual Debt Service ²	14.14x	15.83x	14.48x	16.07x	14.75x

¹ Source: State of Florida Department of Transportation. Pledged Revenues are calculated on a State Fiscal Year basis and therefore amounts will not match the FHWA Reimbursements shown in prior tables, which are shown on a Federal Fiscal Year basis.

² There were no Outstanding Bonds in Fiscal Year 2015 through Fiscal Year 2019 and no annual debt service payments were due. The maximum annual debt service coverage has been calculated to demonstrate what coverages would have been in Fiscal Year 2015 through Fiscal Year 2019 based on Pledged Revenues during those years. Maximum annual debt service represents the maximum annual debt service on the 2019A Bonds and the estimated future Additional Bonds, as discussed in “PLANNED NEAR-TERM ADDITIONAL BONDS” herein. Projected debt service on the Additional Bonds beyond the 2019A Bonds has been estimated using a fixed interest rate of 5%, level annual debt service structure for each series, and final maturity of 12 years for each series.

The following table shows the projected Pledged Revenues and debt service coverage ratios for the 2019A Bonds and estimated future Additional Bonds planned to be issued through Fiscal Year 2024.

Projected Debt Service Coverage¹
(in thousands of dollars)

	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
Pledged Revenues ¹	\$1,966,833	\$2,483,929	\$2,334,966	\$2,205,483	\$2,102,733
Annual Debt Service ²	\$9,235	\$60,241	\$129,291	\$148,869	\$148,864
Maximum Annual Debt Service ²	\$148,869	\$148,869	\$148,869	\$148,869	\$148,865
Debt Service Coverage Ratio					
Annual Debt Service	212.98x	41.23x	18.06x	14.81x	14.13x
Pro Forma Maximum Annual Debt Service	13.21x	16.69x	15.68x	14.81x	14.13x

¹ Source: State of Florida Department of Transportation. The projected Pledged Revenues assume that funding levels beyond Federal Fiscal Year 2020 remain constant at the Federal Fiscal Year 2020 levels.

² Annual debt service and maximum annual debt service represent the debt service on the 2019A Bonds and the estimated future Additional Bonds, as discussed in “PLANNED NEAR-TERM ADDITIONAL BONDS” herein. Projected debt service on the Additional Bonds beyond the 2019A Bonds has been estimated using a fixed interest rate of 5%, level annual debt service structure for each series, and final maturity of 12 years for each series.

DEBT SERVICE SCHEDULE

The table below shows the debt service on the 2019A Bonds. Payments due on July 1 are deemed to accrue in the preceding Fiscal Year.

Fiscal	Debt Service on 2019A Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
2020	\$ 5,230,000	\$4,004,813	\$9,234,813
2021	8,305,000	5,899,750	14,204,750
2022	8,720,000	5,484,500	14,204,500
2023	9,160,000	5,048,500	14,208,500
2024	9,615,000	4,590,500	14,205,500
2025	10,095,000	4,109,750	14,204,750
2026	10,600,000	3,605,000	14,205,000
2027	11,130,000	3,075,000	14,205,000
2028	11,685,000	2,518,500	14,203,500
2029	12,270,000	1,934,250	14,204,250
2030	12,885,000	1,320,750	14,205,750
2031	<u>13,530,000</u>	<u>676,500</u>	<u>14,206,500</u>
Total	<u>\$123,225,000</u>	<u>\$42,267,813</u>	<u>\$165,492,813</u>

PROVISIONS OF STATE LAW

Bonds Legal Investment for Fiduciaries

The 2019A Bonds are legal investments for state, county, municipal or other public funds, and for banks, savings banks, insurance companies, executors, administrators, trustees, and all other fiduciaries and also are securities eligible as collateral deposits for all state, county, municipal, or other public funds.

Negotiability

The 2019A Bonds will have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code - Investment Securities Law of the State.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of the Bond Counsel (see Appendix C), the interest on the Series 2019A Bonds is excludable from gross income and is not a specific item of tax preference for federal income tax purposes under existing statutes, regulations, rulings and court decisions. Failure by the Division of Bond Finance, the Board of Administration, and the Department to comply subsequent to the issuance of the Series 2019A Bonds with certain requirements of the Code regarding the use, expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the Treasury of the United States may cause interest on the Series 2019A Bonds to become includable in gross income for federal income tax purposes retroactive to their date of issue. The Division of Bond Finance, the Board of Administration, and the Department have covenanted in the Resolution to comply with all provisions of the Internal Revenue Code of 1986, as amended (the "Code") necessary to, among other things, maintain the exclusion from gross income of interest on the Series 2019A Bonds for purposes of federal income taxation. In rendering its opinion, Bond Counsel has assumed continuing compliance with such covenants.

Internal Revenue Code of 1986

The Code contains a number of provisions that apply to the Series 2019A Bonds, including, among other things, restrictions relating to the use or investment of the proceeds of the Series 2019A Bonds and the payments of certain arbitrage earnings in excess of the "yield" on the Series 2019A Bonds to the Treasury of the United States. Noncompliance with such provisions may result in interest on the Series 2019A Bonds being included in gross income for federal income tax purposes retroactive to their date of issue.

Premium Bonds

The difference between the principal amount of the Series 2019A Bonds (the "Premium Bonds") and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriter or wholesalers) at which price a substantial amount of such Premium Bonds of the same maturity was sold constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation in the initial offering to the public at the initial offering price is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Premium Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Collateral Tax Consequences

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of, the Series 2019A Bonds. Prospective purchasers of the Series 2019A Bonds should be aware that the ownership of the Series 2019A Bonds may result in other collateral federal tax consequences. For example, ownership of the Series 2019A Bonds may result in collateral tax consequences to various types of corporations relating to (1) denial of interest deduction to purchase or carry such Series 2019A Bonds, (2) the branch profits tax, and (3) the inclusion of interest on the Series 2019A Bonds in passive income for certain Subchapter S corporations. In addition, the interest on the Series 2019A Bonds may be included in gross income by recipients of certain Social Security and Railroad Retirement benefits.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE SERIES 2019A BONDS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE BONDHOLDERS, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES REFERRED TO ABOVE. PROSPECTIVE SERIES 2019A BONDHOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

Other Tax Matters

Interest on the Series 2019A Bonds may be subject to state or local income taxation under applicable state or local laws in other jurisdictions. Purchasers of the Series 2019A Bonds should consult their tax advisors as to the income tax status of interest on the Series 2019A Bonds in their particular state or local jurisdictions.

During recent years, legislative proposals have been introduced in Congress, and in some cases enacted, that altered certain federal tax consequences resulting from the ownership of obligations that are similar to the Series 2019A Bonds. In some cases these proposals have contained provisions that altered these consequences on a retroactive basis. Such alteration of federal tax consequences may have affected the market value of obligations similar to the Series 2019A Bonds. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the Series 2019A Bonds and their market value. No assurance can be given that additional legislative proposals will not be introduced or enacted that would or might apply to, or have an adverse effect upon, the Series 2019A Bonds. For example, proposals have been discussed in connection with deficit spending reduction, job creation and other tax reform efforts that could significantly reduce the benefit of, or otherwise affect the exclusion from gross income of, interest on obligations such as the Series 2019A Bonds. The further introduction or enactment of one or more of such proposals could affect the market price or marketability of the Series 2019A Bonds.

MISCELLANEOUS

Investment of Funds

All State funds are invested by either the State's Chief Financial Officer or the Board of Administration. The Resolution directs the manner in which funds held in the various funds and accounts may be invested. The Board of Administration manages the funds created pursuant to the Resolution, except for the Federal Highway Reimbursement Revenue Bond Proceeds Account, which is held in the State Treasury. Moneys in the funds may generally be invested and reinvested as provided by law, provided that investments in the Sinking Fund must mature not later than the dates on which moneys are needed for the authorized purposes of such fund. Income earned on the investments in the Sinking Fund and the Federal Highway Reimbursement Revenue Bond Proceeds Account is deposited in the respective funds and accounts.

Investment by the Chief Financial Officer - Funds held in the State Treasury are invested by internal and external investment managers. As of June 30, 2019, the ratio was approximately 48% internally managed funds, 44% externally managed funds, 4% Certificates of Deposit and 4% in an externally managed Security Lending program. The total portfolio market value on June 30, 2019, was \$27.001 billion.

Under State law, the Treasury is charged with investing funds of each State agency and the judicial branch. As of June 30, 2019, \$20.126 billion of the investments in the Treasury consisted of accounts held by State agencies that are required by law to maintain their investments in the Treasury; additionally, \$5.350 billion as of this date consisted of moneys held by certain boards, associations, or entities created by the State Constitution or by State law that are not required to maintain their investments with the Treasury and are permitted to withdraw these funds from the Treasury.

As provided by State law, the Treasury must be able to timely meet all disbursement needs of the State. Accordingly, the Treasury allocates its investments to provide for estimated disbursements plus a cushion for liquidity in instances of greater-than-expected disbursement demand.

To this end, a portion of Treasury's investments are managed for short-term liquidity and preservation of principal. The remainder is managed to obtain maximum yield, given the safety parameters of State law and Treasury's Comprehensive Investment Policy. Investments managed for short-term liquidity and preservation of principal are managed "internally" by Treasury personnel. The majority of investments managed for a maximum return are managed by "external" investment companies hired by the State.

The Externally Managed Investment Program provides long-term value while limiting risk appropriately and provides a backup source of liquidity. External investment strategy focuses on medium-term and long-term fixed income securities, rather than money market instruments, in order to take advantage of higher returns historically achieved by such securities. Portfolio managers are hired to actively manage funds. These funds may be invested in U.S. Treasury government agency

obligations, investment grade corporate debt, municipal debt, mortgage backed securities, asset backed securities, and U.S. dollar denominated investment-grade foreign bonds that are registered with the Securities and Exchange Commission. The managers may also use leveraging techniques such as forward purchase commitments, and interest rate futures.

Investment by the Board of Administration – The Board of Administration manages investment of assets on behalf of the members of the Florida Retirement System (the “FRS”) Defined Benefit Plan. It also acts as sinking fund trustee for most State bond issues and oversees the management of FRS Investment Plan investment options, Florida Hurricane Catastrophe Fund moneys, a short-term investment pool for local governments and smaller trust accounts on behalf of third party beneficiaries.

The Board of Administration adopts specific investment policy guidelines for the management of its funds which reflect the long-term risk, yield, and diversification requirements necessary to meet its fiduciary obligations. As of June 30, 2019 the Board of Administration directed the investment/administration of 28 funds.

As of June 30, 2019 the total market value of the FRS (Defined Benefit) Trust Fund was \$163.135 billion. The Board of Administration pursues an investment strategy which allocates assets to different investment types. The long-term objective is to meet liability needs as determined by actuarial assumptions. Asset allocation levels are determined by the liquidity and cash flow requirements of the FRS, absolute and relative valuations of the asset class investments, and opportunities within those asset classes. Funds are invested internally and externally under a Defined Benefit Plan Investment Policy Statement.

The Board of Administration uses a variety of derivative products as part of its overall investment strategy. These products are used to manage risk or to execute strategies more efficiently or more cost effectively than could be done in the cash markets. They are not used to speculate in the expectation of earning extremely high returns. Any of the products used must be within investment policy guidelines designed to control the overall risk of the portfolio.

The Board of Administration invests assets in 27 designated funds other than the FRS (Defined Benefit) Trust Fund. As of June 30, 2019, the total market value of these funds equaled \$43.222 billion. Each fund is independently managed by the Board of Administration in accordance with the applicable documents, legal requirements and investment plans. Liquidity and preservation of capital are preeminent investment objectives for most of these funds, so investments for these are restricted to high quality money market instruments (e.g., cash, short-term treasury securities, certificates of deposit, banker’s acceptances, and commercial paper). The term of these investments is generally short, but may vary depending upon the requirements of each trust and its investment plan.

Investment of bond sinking funds is controlled by the resolution authorizing issuance of a particular series of bonds. The Board of Administration’s investment policy with respect to sinking funds is that only U.S. Treasury securities, and repurchase agreements backed thereby, be used.

Bond Ratings

S&P Global Ratings, Fitch Ratings, and Moody’s Investors Service (herein referred to collectively as “Rating Agencies”), have assigned their municipal bond ratings of AA (stable outlook), A+ (stable outlook) and A1 (stable outlook), respectively, to the 2019A Bonds. Such ratings reflect only the respective views of such Rating Agencies at the time such ratings were issued, and an explanation of the significance of such ratings may be obtained from any of the respective Rating Agencies.

The Department furnished to such Rating Agencies certain information and material in respect to the State and the 2019A Bonds. Generally, Rating Agencies base their ratings on such information and materials and on investigations, studies and assumptions made by the Rating Agencies. There is no assurance that such ratings will be maintained for any given period of time or that they may not be lowered, suspended or withdrawn entirely by the Rating Agencies, or any of them, if in their or its judgment, circumstances warrant. Any such downward change in, suspension of or withdrawal of such ratings may have an adverse effect on the market price of the 2019A Bonds.

Information Technology Security

Similar to other large organizations, the State relies on electronic systems and information technologies (“IT”) to conduct operations. Protecting the State’s IT infrastructure and data is essential to delivering government services.

The State maintains a security posture designed to protect its data and deter attacks on its IT infrastructure and respond to such attacks to minimize their impact on operations. In 2019, the State Legislature created the Division of State Technology, within the Department of Management Services (formerly known as the Agency for State Technology, or the “AST”), to

establish standards and processes for IT security consistent with generally accepted best practices, adopt rules for IT security,¹ develop and annually update a statewide IT security strategic plan,² develop a framework for use by state agencies for IT security responsibilities such as conducting IT security risk assessments and reporting IT security incidents, provide IT security training for state agency information security managers, and annually review state agency IT security plans. In addition, the 2019 legislation requires state agencies to annually review and consider upgrades to computing and software applications, with a preference for cloud computing and software solutions. Further, the 2019 legislation created the Florida Cybersecurity Task Force, administratively supported by DMS, to review and provide recommendations for the improvement of the state's cybersecurity infrastructure, governance, and operations. The task force is required to convene by October 1, 2019, meet at least quarterly, and submit a final report of its findings and recommendations to the Executive Office of the Governor, the President of the Senate, and the Speaker of the House of Representatives by November 1, 2020. Historically, the State has maintained reserve funds and a liquidity position that provide the ability to respond to potential attacks.

The Board of Administration acts as the fiscal agent for the bonds that the Division of Bond Finance issues on behalf of the State and its agencies. As trustee for the Division of Bond Finance's bond programs, the Board of Administration protects its data and IT infrastructure, including data and information related to bond programs, through a multifaceted cybersecurity strategy. The Board of Administration's cybersecurity strategy includes a comprehensive set of security policies and procedures, which are designed to guide staff in their cybersecurity responsibilities; a security awareness program, which educates staff on active cybersecurity threats and security best practices; and a risk-based threat and vulnerability management program, which is internally monitored. Additionally, the Board of Administration has implemented access and authentication protocols, which includes multi-factor authentication, and industry standard encryption to protect data in transit and at rest. As a further precaution, the Board of Administration's cybersecurity program is subjected to routine internal audits to evaluate the effectiveness of the program, as well as annual external audits and penetration testing to identify opportunities to improve its security posture. The Board of Administration's cybersecurity strategy is supported by administrative and technical controls, which assist in identifying potential threats and preventing attacks that may target the Board of Administration's data and IT systems. In the event a cybersecurity issue arises, the Board of Administration has an incident response capability to quickly address such issues.

Despite the State's and the Board of Administration's robust cybersecurity policies and procedures designed to protect their data and IT infrastructure, no assurance is given that the State's security measures will prevent cyber-attacks, nor can any assurance be given that any cyber-attacks, if successful, will not have a material impact on State operations.

Environmental Risk Factors

With more than 2,000 linear miles of coastline, Florida's weather and natural resources affect its economy in a variety of ways. Economic activity attributable to in-migration and tourism represents a significant part of the State's economy, and the State's warm weather and beaches are responsible for attracting seasonal and permanent residents and tourists to the State. Because of the State's reliance on its natural resources to generate business and sustain in-migration, its economy and financial condition may be vulnerable to the impacts of environmental events.

The State has effectively responded to past environmental events, such as multiple hurricanes and the 2010 oil spill in the Gulf of Mexico from the Deepwater Horizon oil drilling rig, and has a variety of resources available to respond to damage caused by such events. The State has financial reserves available to cover response-related expenditures, and, in most cases, the State can request reimbursement from federal relief funds to pay for a portion of such expenditures. In addition, upon a declaration of a state of emergency, Florida law provides the Governor broad spending authority to meet financial needs resulting from a disaster. The Division of Emergency Management ("DEM") was established as part of the State's structure to plan for and respond to both natural and manmade disasters. In addition to coordinating disaster response activities, DEM prepares and implements a statewide Comprehensive Emergency Management Plan and routinely conducts extensive exercises to test state and county emergency response capabilities. In January 2019, the Governor created the Office of Environmental Accountability and Transparency, led by the State's Chief Science Officer, within the Department of Environmental Protection to, in part, conduct scientific research that focuses on current and emerging environmental concerns most pressing to Floridians. In August 2019, the Governor appointed a Chief Resilience Officer to work with the Department of Environmental Protection and other state agencies to, in part, develop and coordinate the implementation of comprehensive statewide resilience goals to mitigate and adapt to the environmental challenges facing Florida's communities.

The magnitude of the impact on the State's operations, economy, or financial condition from environmental risks is indeterminate and is unpredictable for future natural disasters like hurricanes, tropical storms, and naturally-occurring phenomena like red tide. There can be no assurance that the State will not encounter such risks in the future or that such risks will not have an adverse effect on the operations, economy, or financial condition of the State.

¹ In 2016, the AST promulgated rules which serve as the Florida Cybersecurity Standards.

² Most recently updated by the AST in February 2018, the Statewide Information Technology Security Strategic Plan focused on protecting the confidentiality, maintaining the integrity, and ensuring the availability of the State's data.

State of Florida Information

The “State of Florida Statistical, Demographic and Financial Information” attached hereto as Appendix F is provided for informational purposes only. The 2019A Bonds are not a general obligation of the State of Florida or any instrumentality or political subdivision thereof, nor a pledge of the faith and credit or taxing power of the State of Florida or any instrumentality or political subdivision thereof. The 2019A Bonds are revenue bonds solely secured by and payable from the Pledged Revenues as provided in the Resolution. See “SECURITY FOR THE 2019A BONDS” herein for more detailed information.

Litigation

There is no litigation pending, or to the knowledge of the Department or the Division of Bond Finance, threatened, which if successful would have the effect of restraining or enjoining the issuance or delivery of the 2019A Bonds or questioning or affecting the validity of the 2019A Bonds or the proceedings and authority under which the 2019A Bonds are to be issued. The Department and the Division of Bond Finance from time to time engage in certain routine litigation the outcome of which would not be expected to have any material adverse effect on the issuance and delivery of the 2019A Bonds.

Legal Matters

The approving legal opinion of Nabors Giblin & Nickerson, P.A., Tampa, Florida, will be provided on the date of delivery of the 2019A Bonds, as well as a certificate, executed by appropriate State officials, to the effect that to the best of their knowledge the Official Statement, as of its date and as of the date of delivery of the 2019A Bonds, does not contain an untrue statement of a material fact or omit to state a material fact which should be included herein for the purpose for which the Official Statement is intended to be used, or which is necessary to make the statements contained herein, in the light of the circumstances under which they were made, not misleading. A proposed form of the legal opinion of Bond Counsel is attached hereto as Appendix C.

Continuing Disclosure

The Department will undertake, for the benefit of the beneficial owners and the Registered Owners of the 2019A Bonds, to provide, or cause to be provided, certain financial information and operating data and to provide notices of certain material events. Such financial information and operating data will be transmitted to the Municipal Securities Rulemaking Board (the “MSRB”) using its Electronic Municipal Market Access System (“EMMA”). Any notice of material events will also be transmitted to the MSRB using EMMA. The form of the undertaking is set forth in Appendix D, “Form of Continuing Disclosure Agreement” (the “CDA”). This undertaking is being made in order to assist the underwriters in complying with Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”). Additionally, the Division of Bond Finance has policies and procedures in place to assist the Department in complying with disclosure undertakings. The form CDA and the Division’s policies and procedures were amended in response to the two new material events that were added, effective February 27, 2019, to the list of events for which notice is required under the Rule.

Neither the Department nor the Division of Bond Finance has failed, in the previous five years, to comply in all material respects with any prior disclosure undertakings.

Underwriting

Wells Fargo Bank, National Association (the “Underwriter”) has agreed to purchase the 2019A Bonds at an aggregate purchase price of \$150,258,358.87 (which represents the par amount of the 2019A Bonds plus an original issue premium of \$27,386,152.05 and minus the Underwriter’s discount of \$352,793.18). The Underwriter may offer and sell the 2019A Bonds to certain dealers (including dealers depositing bonds into investment trusts) and others at prices lower than the offering price stated on the inside front cover.

Execution of Official Statement

The execution and delivery of this Official Statement have been duly authorized by the Department and the Division of Bond Finance.

STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION

KEVIN J. THIBAUT, P.E.
Secretary

DIVISION OF BOND FINANCE OF THE STATE BOARD OF
ADMINISTRATION OF FLORIDA on behalf of the STATE OF
FLORIDA DEPARTMENT OF TRANSPORTATION

J. BEN WATKINS, III
Director, Division of Bond Finance

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DEFINITIONS

“2019A Bonds” means the \$123,225,000 State of Florida, Department of Transportation, Federal Highway Reimbursement Revenue Bonds, Series 2019A (Indirect GARVEEs).

“Additional Bonds” means any obligations issued pursuant to the terms and conditions of the Resolution and payable from the Pledged Revenues on a parity with any Bonds previously issued under the Resolution. Such Additional Bonds shall be deemed to have been issued pursuant to the Resolution the same as the Bonds previously authorized and issued pursuant to the Resolution, and all of the applicable covenants and other provisions of the Resolution (except as to details of such Additional Bonds inconsistent with the Resolution), shall be for the equal benefit, protection and security of the Registered Owners of the Bonds previously authorized and issued pursuant to the Resolution, and the Registered Owners of any Additional Bonds evidencing additional obligations subsequently issued within the limitations of and in compliance with the Resolution. All of such Additional Bonds, regardless of the time or times of their issuance, shall rank equally with other Bonds with respect to their lien on and source and security for payment from the Pledged Revenues without preference or priority of any Bonds over any other.

“Administrative Expenses” means, with respect to the Bonds or the administration of any funds under the Resolution, to the extent applicable: (i) fees or charges, or both, of the Board of Administration and the Division; and (ii) such other fees or charges, or both, as may be approved by the Board of Administration or the Division, including but not limited to those relating to tax law compliance, disclosure of information, paying agents, rating agencies and providers of credit enhancement; all as may be determined from time to time as necessary.

“Amortization Installment” means an amount so designated which is established for the Term Bonds of each Series; provided that each such Amortization Installment shall be deemed due upon the date determined pursuant to a subsequent resolution adopted by the Division and the aggregate of such Amortization Installments for each Series shall equal the aggregate principal of the Term Bonds of such Series.

“Annual Debt Service” means, for any Fiscal Year, the remaining amount (with respect to the particular Series of Bonds, or all Bonds, as the case may be) required to be deposited in such Fiscal Year into the Sinking Fund to pay the interest, principal and Amortization Installment in such Fiscal Year, provided that any interest, principal, or Amortization Installment payable on July 1 of any Fiscal Year shall be deemed payable in the prior Fiscal Year.

“Board of Administration” means the State Board of Administration, as created pursuant to the provisions of Article IV, Section 4, Florida Constitution and Chapter 215, Florida Statutes.

“Bond Registrar/Paying Agent” means U.S. Bank National Association, New York, New York, or its successor, unless a different Bond Registrar/Paying Agent is provided for by subsequent resolution of the Division.

“Bond Year” means, with respect to a particular Series of Bonds issued under the Resolution, the annual period relevant to the application of Section 148(f) of the Code to the Series of Bonds, except that the first and last Bond Years may be less than 12 months long. The last day of a Bond Year shall be the close of business on the day preceding the anniversary of the date of issuance of the Series unless the Division selects another date on which to end a Bond Year in the manner permitted by the Code.

“Bonds” means the 2019A Bonds, together with any Additional Bonds issued pursuant to the Resolution.

“Code” means the Internal Revenue Code of 1986, as amended, and temporary, proposed or permanent implementing regulations promulgated thereunder.

“Department” means the State of Florida Department of Transportation.

“Director” means the Director of the Division and shall include any Assistant Secretary to whom the Director delegates authority.

“Division” means the Division of Bond Finance of the State Board of Administration of Florida.

“Eligible Project” means any undertaking eligible for assistance under Title 23, as defined in the Resolution.

“Fiscal Year” means the period commencing on July 1 of each year and continuing through the next succeeding June 30, or such other period as may be prescribed by law.

“Federal Aid Authorization” means, as applicable, (a) Title 23 of the United States Code, (b) any extension of Title 23, or (c) any successor to Title 23 authorizing federal funding of state highways.

“Federal Fiscal Year” means the period commencing on October 1 in each calendar year and ending on September 30 of the following calendar year, or any other twelve-month period which may hereafter be established by the federal government for its fiscal year.

“Federal Highway Administration” means the United States Department of Transportation Federal Highway Administration, and any successor to its functions.

“Federal Highway Reimbursement Revenue Bond Proceeds Account” means the Federal Highway Reimbursement Revenue Bond Proceeds Account created in Section 3.02 of the Resolution.

“Governing Board” means Governor and Cabinet of the State of Florida as the Governing Board of the Division.

“Interest Payment Date” means, for each Series of Bonds, the dates of each Fiscal Year on which interest on the Outstanding Bonds of such Series is payable, as provided for pursuant to a subsequent resolution of the Division.

“Maximum Annual Debt Service” means, at any time, the maximum amount (with respect to the particular Series of Bonds, or all Bonds, as the case may be), required to be deposited into the Sinking Fund to pay the interest, principal, and Amortization Installment for the then current or any succeeding Fiscal Year, whichever is greater. For the purpose of calculating the deposits to be made into a subaccount in the Reserve Account, the Maximum Annual Debt Service means, at any time, the maximum amount, if any, required to be deposited in the then current or any succeeding Fiscal Year into the Sinking Fund to pay interest, principal, and Amortization Installment with respect to the Bonds for which such subaccount has been established. In the calculation of the Maximum Annual Debt Service, any interest, principal, or Amortization Installment payable on July 1 of any Fiscal Year shall be deemed payable in the prior Fiscal Year.

“Outstanding” means, as of any date of determination, all Bonds theretofore authenticated and delivered except:

(i) Bonds theretofore cancelled by the Bond Registrar/Paying Agent or delivered to the Bond Registrar/Paying Agent for cancellation;

(ii) Bonds which are deemed paid and defeased and no longer Outstanding as provided in the Resolution;

(iii) Bonds in lieu of which other Bonds have been issued pursuant to the provisions of the Resolution relating to Bonds destroyed, stolen or lost, unless evidence satisfactory to the Bond Registrar/Paying Agent has been received that any such Bond is held by a bona fide purchaser;

(iv) For purposes of any consent or other action to be taken under the Resolution by the Registered Owners of a specified percentage of principal amount of Bonds, Bonds held by or for the account of the Division or the Department; and

(v) Bonds with respect to which debt service has been paid pursuant to a Bond Insurance Policy, to the extent that the amount of such payment has been reimbursed to the issuer of such Bond Insurance Policy (or monies have been deposited to defease such payment).

“Pledged Revenues” means all revenues or funds received by or on behalf of or available to the Department pursuant to Federal Aid Authorization that are legally available for the reimbursement of costs of Eligible Projects under Title 23 of the U.S. Code.

“Principal Payment Date” means, for each Series of Bonds, the dates during each Fiscal Year on which principal of the Outstanding Bonds of such Series is payable, as provided for pursuant to a subsequent resolution of the Governing Board.

“Rating Agency” means a nationally recognized bond rating agency.

“Rebate Amount” means the excess of the amount earned on all nonpurpose investments (as defined in Section 148(f)(6) of the Code) over the amount which would have been earned if such nonpurpose investments were invested at a rate equal to the yield on the Bonds, plus any income attributable to such excess.

“Rebate Fund” means the Rebate Fund established pursuant to Section 4.02 of the Resolution.

“Record Date” means with respect to each Series of Bonds, the 15th day of the calendar month next preceding the month of an Interest Payment Date or Principal Payment Date. With respect to redemption of Bonds prior to maturity, the Record Date shall be the date 45 days prior to the date fixed for redemption.

“Registered Owner” means the owner of any Bond or Bonds as shown on the registration books kept by the Bond Registrar/Paying Agent.

“Reserve Account” means the account within the Sinking Fund created in Section 4.02 of the Resolution and shall include any subaccounts established for one or more Series of Bonds.

“Reserve Requirement” means, as of any date of calculation with respect to all Bonds secured by a particular subaccount within the Reserve Account, an amount, which may be zero, determined pursuant to a resolution of the Governing Board, which amount shall not exceed the lesser of:

- (i) the Maximum Annual Debt Service on the Bonds;
- (ii) 125% of the average Annual Debt Service of the Bonds for the then current and succeeding Fiscal Years;
- (iii) 10% of the stated principal amount of the Bonds secured by such subaccount, or
- (iv) the maximum amount permitted with respect to tax-exempt obligations and applicable to the Bonds secured by such subaccount under the Code.

“Resolution” means the resolution adopted by the Governor and Cabinet as the Governing Board of the Division on July 25, 2019, as amended and supplemented from time to time.

“Securities Depository” means The Depository Trust Company, New York, New York, or its nominees, successors and assigns, or such other depository authorized by the Governing Board.

“Serial Bonds” means the Bonds of a Series which shall be stated to mature in periodic installments.

“Series” or **“Series of Bonds”** means all of the Bonds authenticated and delivered on original issuance pursuant to the Resolution or any supplemental resolution authorizing such Bonds as a separate Series of Bonds, or any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article II of the Resolution, regardless of variations in maturity, interest rate or other provisions.

“Sinking Fund” means the Sinking Fund created and established pursuant to Section 4.02 of the Resolution.

“State” means the State of Florida.

“State Transportation Trust Fund” means the State Transportation Trust Fund created pursuant to Section 206.46, Florida Statutes.

“Term Bonds” means the Bonds of a Series which shall be stated to mature on one date and for the amortization of which payments are required to be made into the Sinking Fund, as may be determined pursuant to a subsequent resolution of the Division.

“Title 23” means Chapter 1 of Title 23, United States Code, as amended and supplemented from time to time and any successor or replacement provision of law.

DIVISION OF BOND FINANCE
OF THE
STATE BOARD OF ADMINISTRATION OF FLORIDA

A RESOLUTION
AUTHORIZING THE ISSUANCE OF
STATE OF FLORIDA, DEPARTMENT OF TRANSPORTATION
FEDERAL HIGHWAY REIMBURSEMENT REVENUE BONDS
SERIES 2019A

July 25, 2019

A RESOLUTION AUTHORIZING THE ISSUANCE OF STATE OF FLORIDA, DEPARTMENT OF TRANSPORTATION, FEDERAL HIGHWAY REIMBURSEMENT REVENUE BONDS, SERIES 2019A, TO FINANCE PROJECTS ELIGIBLE TO RECEIVE FEDERAL AID HIGHWAY FUNDS; PROVIDING FOR CERTAIN COVENANTS IN CONNECTION THEREWITH; AND PROVIDING FOR AN EFFECTIVE DATE.

BE IT RESOLVED BY THE GOVERNOR AND CABINET OF THE STATE OF FLORIDA AS THE GOVERNING BOARD OF THE DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION, ON BEHALF OF THE STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION:

ARTICLE I

GENERAL

SECTION 1.01. AUTHORITY FOR THIS RESOLUTION. This Resolution is adopted pursuant to the provisions of Article VII, Section 11(d) of the Florida Constitution; Sections 215.57-215.83, Florida Statutes (the “State Bond Act”); Section 215.616, Florida Statutes; Title 23 of the United States Code, and other applicable provisions of law.

SECTION 1.02. RESOLUTION TO CONSTITUTE CONTRACT. In consideration of the acceptance of the Bonds by those who shall be Registered Owners of the same from time to time, this Resolution shall be deemed to be and shall constitute a contract among the Division, the Department, and such Registered Owners. The covenants and agreements to be performed by the Department shall be for the equal benefit, protection, and security of the Registered Owners of any and all of the Bonds, as defined herein, all of which shall be of equal rank and without preference, priority, or distinction as to any of such Bonds over any other thereof, except as expressly provided therein and herein.

SECTION 1.03. DEFINITIONS. When used in this Resolution, the following terms shall have the following meanings, unless the context clearly otherwise requires:

“2019A Bonds” means the State of Florida, Department of Transportation, Federal Highway Reimbursement Revenue Bonds, Series 2019A (or such other designation as may be determined by the Director of the Division).

“Additional Bonds” means any obligations issued pursuant to the terms and conditions of this Resolution and payable from the Pledged Revenues on a parity with any Bonds previously issued hereunder. Such Additional Bonds shall be deemed to have been issued pursuant to this Resolution the same as the Bonds previously authorized and issued pursuant to this Resolution, and all of the applicable covenants and other provisions of this Resolution (except as to details of such Additional Bonds inconsistent herewith), shall be for the equal benefit, protection and security of the Registered Owners of the Bonds previously authorized and issued pursuant to this Resolution, and the Registered Owners of any Additional Bonds evidencing additional obligations subsequently issued within the limitations of and in compliance with this Resolution. All of such Additional Bonds, regardless of the time or times of their issuance, shall rank equally with other Bonds with respect to their lien on and source and security for payment from the Pledged Revenues without preference or priority of any Bonds over any other.

“Administrative Expenses” means, with respect to the Bonds or the administration of any funds under this Resolution, to the extent applicable: (i) fees or charges, or both, of the Board of Administration and the Division; and (ii) such other fees or charges, or both, as may be approved by the Board of Administration or the Division, including but not limited to those relating to tax law compliance, disclosure of information, paying agents, rating agencies and providers of credit enhancement; all as may be determined from time to time as necessary.

“Amortization Installment” means an amount so designated which is established for the Term Bonds of each Series; provided that each such Amortization Installment shall be deemed due upon the date determined pursuant to a subsequent resolution adopted by the Division and the aggregate of such Amortization Installments for each Series shall equal the aggregate principal of the Term Bonds of such Series.

“Annual Debt Service” means, for any Fiscal Year, the remaining amount (with respect to the particular Series of Bonds, or all Bonds, as the case may be) required to be deposited in such Fiscal Year into the Sinking Fund to pay the interest, principal and Amortization Installment in such Fiscal Year, provided that any interest, principal, or Amortization Installment payable on July 1 of any Fiscal Year shall be deemed payable in the prior Fiscal Year.

“Assistant Secretary” means an Assistant Secretary of the Division.

“Board of Administration” means the State Board of Administration, as created pursuant to the provisions of Article IV, Section 4, Florida Constitution and Chapter 215, Florida Statutes.

“Bond Insurance Policy” means an insurance policy issued for the benefit of the Registered Owners of any Bond, pursuant to which the issuer of such insurance policy shall be obligated to pay when due the principal of and interest on such Bond to the extent of any deficiency in the amounts in the funds and accounts held under this Resolution, in the manner and in accordance with the terms provided in such Bond Insurance Policy.

“Bond Registrar/Paying Agent” means U.S. Bank National Association, New York, New York, or its successor, unless a different Bond Registrar/Paying Agent is provided for by subsequent resolution of the Division.

“Bond Year” means, with respect to a particular Series of Bonds issued hereunder, the annual period relevant to the application of Section 148(f) of the Code to the Series of Bonds, except that the first and last Bond Years may be less than 12 months long. The last day of a Bond Year shall be the close of business on the day preceding the anniversary of the date of issuance of the Series unless the Division selects another date on which to end a Bond Year in the manner permitted by the Code.

“Bonds” means the 2019A Bonds, together with any Additional Bonds issued pursuant to this Resolution.

“Code” means the Internal Revenue Code of 1986, as amended, and temporary, proposed or permanent implementing regulations promulgated thereunder.

“Defeasance Obligations” means, to the extent permitted by law, direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States and including advance refunded tax-exempt bonds fully secured by non-callable direct obligations of the United States of America, non-callable obligations guaranteed by the United States of America, or “stripped” interest payment obligations of debt obligations of the Resolution Funding Corporation.

“Department” means the State of Florida Department of Transportation.

“Director” means the Director of the Division and shall include any Assistant Secretary to whom the Director delegates authority.

“Division” means the Division of Bond Finance of the State Board of Administration of Florida.

“Eligible Project” means any undertaking eligible for assistance under Title 23, as defined herein.

“Fiscal Year” means the period commencing on July 1 of each year and continuing through the next succeeding June 30, or such other period as may be prescribed by law.

“Federal Aid Authorization” means, as applicable, (a) Title 23 of the United States Code, (b) any extension of Title 23, or (c) any successor to Title 23 authorizing federal funding of state highways.

“Federal Fiscal Year” means the period commencing on October 1 in each calendar year and ending on September 30 of the following calendar year, or any other twelve-month period which may hereafter be established by the federal government for its fiscal year.

“Federal Highway Administration” means the United States Department of Transportation Federal Highway Administration, and any successor to its functions.

“Federal Highway Reimbursement Revenue Bond Proceeds Account” means the Federal Highway Reimbursement Revenue Bond Proceeds Account created in Section 3.02 hereof.

“Governing Board” means Governor and Cabinet of the State of Florida as the Governing Board of the Division.

“Interest Payment Date” means, for each Series of Bonds, the dates of each Fiscal Year on which interest on the Outstanding Bonds of such Series is payable, as provided for pursuant to a subsequent resolution of the Division.

“Maximum Annual Debt Service” means, at any time, the maximum amount (with respect to the particular Series of Bonds, or all Bonds, as the case may be), required to be deposited into the Sinking Fund to pay the interest, principal, and Amortization Installment for the then current or any succeeding Fiscal Year, whichever is greater. For

the purpose of calculating the deposits to be made into a subaccount in the Reserve Account, the Maximum Annual Debt Service means, at any time, the maximum amount, if any, required to be deposited in the then current or any succeeding Fiscal Year into the Sinking Fund to pay interest, principal, and Amortization Installment with respect to the Bonds for which such subaccount has been established. In the calculation of the Maximum Annual Debt Service, any interest, principal, or Amortization Installment payable on July 1 of any Fiscal Year shall be deemed payable in the prior Fiscal Year.

“Outstanding” means, as of any date of determination, all Bonds theretofore authenticated and delivered except:

(i) Bonds theretofore cancelled by the Bond Registrar/Paying Agent or delivered to the Bond Registrar/Paying Agent for cancellation;

(ii) Bonds which are deemed paid and defeased and no longer Outstanding as provided herein;

(iii) Bonds in lieu of which other Bonds have been issued pursuant to the provisions hereof relating to Bonds destroyed, stolen or lost, unless evidence satisfactory to the Bond Registrar/Paying Agent has been received that any such Bond is held by a bona fide purchaser;

(iv) For purposes of any consent or other action to be taken hereunder by the Registered Owners of a specified percentage of principal amount of Bonds, Bonds held by or for the account of the Division or the Department; and

(v) Bonds with respect to which debt service has been paid pursuant to a Bond Insurance Policy, to the extent that the amount of such payment has been reimbursed to the issuer of such Bond Insurance Policy (or monies have been deposited to defease such payment).

“Pledged Revenues” means all revenues or funds received by the Department pursuant to Federal Aid Authorization that are legally available for the reimbursement of costs of Eligible Projects under Title 23 of the U.S. Code.

“Principal Payment Date” means, for each Series of Bonds, the dates during each Fiscal Year on which principal of the Outstanding Bonds of such Series is payable, as provided for pursuant to a subsequent resolution of the Governing Board.

“Rating Agency” means a nationally recognized bond rating agency.

“Rebate Amount” means the excess of the amount earned on all nonpurpose investments (as defined in Section 148(f)(6) of the Code) over the amount which would have been earned if such nonpurpose investments were invested at a rate equal to the yield on the Bonds, plus any income attributable to such excess.

“Rebate Fund” means the Rebate Fund established pursuant to Section 4.02 of this Resolution.

“Record Date” means with respect to each Series of Bonds, the 15th day of the calendar month next preceding the month of an Interest Payment Date or Principal Payment Date. With respect to redemption of Bonds prior to maturity, the Record Date shall be the date 45 days prior to the date fixed for redemption.

“Registered Owner” means the owner of any Bond or Bonds as shown on the registration books kept by the Bond Registrar/Paying Agent.

“Reserve Account” means the account within the Sinking Fund created in Section 4.02 of this Resolution and shall include any subaccounts established for one or more Series of Bonds.

“Reserve Account Credit Facility” means a Reserve Account Insurance Policy, Reserve Account Letter of Credit or other comparable insurance or financial product deposited in a subaccount of the Reserve Account in lieu of or in partial substitution for cash or securities otherwise required to be on deposit therein. Such Reserve Account Credit Facility shall be issued by a provider whose credit facility results in a rating of municipal securities secured thereby in one of the three highest full rating categories of a Rating Agency.

“Reserve Account Insurance Policy” means the insurance policy, surety bond or other acceptable evidence of insurance deposited in a subaccount of the Reserve Account in lieu of or in partial substitution for cash or securities otherwise required to be on deposit therein.

“Reserve Account Letter of Credit” means the irrevocable, transferable letter of credit, deposited in a subaccount of the Reserve Account in lieu of or in partial substitution for cash or securities otherwise required to be on deposit therein.

“Reserve Requirement” means, as of any date of calculation with respect to all Bonds secured by a particular subaccount within the Reserve Account, an amount, which may be zero, determined pursuant to a resolution of the Governing Board, which amount shall not exceed the lesser of:

- (i) the Maximum Annual Debt Service on the Bonds;
- (ii) 125% of the average Annual Debt Service of the Bonds for the then current and succeeding Fiscal Years;
- (iii) 10% of the stated principal amount of the Bonds secured by such subaccount, or
- (iv) the maximum amount permitted with respect to tax-exempt obligations and applicable to the Bonds secured by such subaccount under the Code.

“Resolution” means this resolution adopted by the Governor and Cabinet as the Governing Board of the Division, as amended and supplemented from time to time.

“Securities Depository” means The Depository Trust Company, New York, New York, or its nominees, successors and assigns, or such other depository authorized by the Governing Board.

“Serial Bonds” means the Bonds of a Series which shall be stated to mature in periodic installments.

“Series” or **“Series of Bonds”** means all of the Bonds authenticated and delivered on original issuance pursuant to this Resolution or any supplemental resolution authorizing such Bonds as a separate Series of Bonds, or any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article II hereof, regardless of variations in maturity, interest rate or other provisions.

“Sinking Fund” means the Sinking Fund created and established pursuant to Section 4.02 of this Resolution.

“State” means the State of Florida.

“State Transportation Trust Fund” means the State Transportation Trust Fund created pursuant to Section 206.46, Florida Statutes.

“Term Bonds” means the Bonds of a Series which shall be stated to mature on one date and for the amortization of which payments are required to be made into the Sinking Fund, hereinafter created, as may be determined pursuant to a subsequent resolution of the Division.

“Title 23” means Chapter 1 of Title 23, United States Code, as amended and supplemented from time to time and any successor or replacement provision of law.

Where the context so requires, words importing singular number shall include the plural number in each case and vice versa, words importing persons shall include firms and corporations, and the masculine includes the feminine and vice versa.

SECTION 1.04. FINDINGS. It is hereby ascertained, determined and declared that:

(A) Section 215.616, Florida Statutes, provides for the issuance of bonds payable from federal highway aid reimbursements for Eligible Projects.

(B) The bonds to be issued pursuant to Section 215.616, Florida Statutes, are to be secured by a pledge of and shall be payable from the Pledged Revenues, as defined herein.

(C) The Pledged Revenues are not pledged, encumbered or committed in any manner and are available for pledge and application in the manner provided herein.

(D) The estimated Pledged Revenues will be sufficient to pay the principal of and interest on the Bonds to be issued pursuant to this Resolution, as the same become due, and all other payments provided for in this Resolution.

(E) The Bonds shall not be or constitute a general obligation of the State or a pledge of the full faith and credit or taxing power of the State, but shall be payable solely from the Pledged Revenues, as provided herein. No Registered Owner or Registered Owners of the Bonds shall ever have the right to compel the exercise of the taxing power of the State, or any political subdivision thereof, to pay such Bonds or the interest thereon, or be entitled to payment of such principal and interest from any other funds except such payments consisting of the Pledged Revenues, in the manner provided herein.

ARTICLE II

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION, TRANSFER, AND ISSUANCE OF BONDS

SECTION 2.01. AUTHORIZATION OF 2019A BONDS. Subject and pursuant to the provisions of this Resolution, fully registered revenue bonds designated as “State of Florida, Department of Transportation, Federal Highway Reimbursement Revenue Bonds, Series 2019A” (or such other designation as may be determined by the Director), are hereby authorized to be issued by the Division in an aggregate principal amount not exceeding \$224,500,000 for the purpose of financing Eligible Projects. The limitation on the amount of Bonds which may be issued does not apply to refunding Bonds or to Additional Bonds authorized by subsequent resolution of the Governing Board. Such Bonds may be sold and issued in one or more Series, and in combination with other Federal Highway Reimbursement Revenue Bonds; provided that the actual designation of any Series of such Bonds, whether sold in one or more than one Series (including a change of year designation, if desirable), and whether such bonds or any portion thereof are to be taxable or tax-exempt, shall be determined by the Director.

SECTION 2.02. DESCRIPTION OF BONDS. The Bonds shall be issued in fully registered form without coupons; shall be dated as determined pursuant to a subsequent resolution of the Division; shall be numbered consecutively from one upward within each Series and shall be in the denomination of \$1,000 each or any integral multiples thereof; shall bear interest at not exceeding the maximum rate permitted by law, payable on each Interest Payment Date; and shall mature on such dates in such years and amounts as shall be determined pursuant to a subsequent resolution adopted by the Division on or prior to the sale of the Bonds.

The Bonds may be sold at one time or in Series from time to time as the Division may determine pursuant to resolution. If issued in Series, each Series shall be dated and have an identifying number or letter. All of such Bonds, when issued, will rank equally as to source and security for payment.

The principal amount of the Bonds shall be paid to the Registered Owner on the maturity date of the Bonds, unless redeemed prior thereto as determined pursuant to a subsequent resolution of the Division, upon presentation and surrender of the Bonds at the corporate trust office of the Bond Registrar/Paying Agent.

Interest shall be paid on the Interest Payment Dates to the Registered Owner whose name appears on the books of the Bond Registrar/Paying Agent as of 5:00 p.m. (local time, New York, New York) on the Record Date next preceding such Interest Payment Date; provided, however, that if the Record Date is a Saturday, Sunday or holiday, then to the Registered Owner and at the address shown on the registration books at the close of business on the day next preceding such Record Date which is not a Saturday, Sunday or holiday. Interest on the Bonds shall be paid by check or draft mailed (or transferred by a mode at least equally as rapid as mailing) on each Interest Payment Date from the Bond Registrar/Paying Agent to the Registered Owner, or in certain cases shall be paid by wire transfer as provided pursuant to subsequent resolution of the Division.

SECTION 2.03. BONDS MAY BE ISSUED AS SERIAL BONDS, TERM BONDS, ETC. The Bonds may be issued as, or as a combination of, Serial Bonds, Term Bonds, or such other type of bonds as shall be determined pursuant to a subsequent resolution of the Division.

SECTION 2.04. PRIOR REDEMPTION OF THE BONDS. The Bonds of each Series may be made redeemable in such manner and upon such terms and conditions as determined pursuant to subsequent resolution adopted by the Governing Board prior to the sale of such Series of Bonds.

Unless waived by any Registered Owner of Bonds to be redeemed, a notice of the redemption prior to maturity of any of the Bonds shall be mailed to each Registered Owner of record as of the Record Date of Bonds to be redeemed, by first class mail (postage prepaid), or other method at least as fast as first class mail, at least thirty days prior to the date of redemption. In lieu of mailing the notice of redemption, the Bond Registrar/Paying Agent may elect to provide such notice by electronic means to any Registered Owner who has consented to such method of receiving notices. Such notice of redemption shall specify any conditions to such redemption, the CUSIP number and

the serial or other distinctive numbers or letters of the Bonds to be redeemed, if less than all, the date fixed for redemption, the redemption price thereof, and, in the case of Bonds to be redeemed in part only, the principal amount thereof to be redeemed. Failure to give any such notice by mailing (or other approved method) to any Registered Owner of Bonds, or any defect therein, shall not affect the validity of the proceedings for the redemption of any Bond or portion thereof with respect to which no such failure has occurred. Any notice mailed as provided above shall be conclusively presumed to have been given, whether or not the Registered Owner of such Bond receives such notice.

The Bond Registrar/Paying Agent shall not be required to issue, transfer or exchange any Bonds selected for redemption during a period beginning at the opening of business on the Record Date applicable to such redemption and ending on the date fixed for redemption.

Upon notice given in the manner and under the conditions provided above, the Bonds or portions of Bonds so called for redemption shall, on the redemption date designated in such notice, be due and payable at the redemption price provided for redemption of such Bonds or portions of Bonds on such date. On the date so designated for redemption, notice having been given and moneys for payment of the redemption price being held in separate accounts by an escrow agent, the Board of Administration, or the Bond Registrar/Paying Agent, in trust for the Registered Owners of the Bonds or portions thereof to be redeemed, all as provided in this Resolution, interest on the Bonds or portions of Bonds so called for redemption shall cease to accrue, such Bonds and portions of Bonds shall cease to be Outstanding under the provisions of this Resolution and shall not be entitled to any lien, benefit or security under this Resolution. The Registered Owners of such Bonds or portions of Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof from the moneys held in trust for such purpose and, to the extent provided herein, to receive Bonds for any unredeemed portion of the Bonds. Bonds redeemed prior to maturity shall be duly canceled by the Bond Registrar/Paying Agent and shall not be reissued.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying the Bonds redeemed with the proceeds of such check or other transfer.

In case part but not all of an Outstanding Bond shall be selected for redemption, the Registered Owner thereof shall present and surrender such Bond to the Bond Registrar/Paying Agent for payment of the principal amount thereof so called for redemption, and the Bond Registrar/Paying Agent shall execute and deliver to or upon the order of such Registered Owner without charge therefor, for the unredeemed balance of the principal amount of the Bond so surrendered, a Bond or Bonds fully registered as to principal and interest.

SECTION 2.05. EXECUTION OF BONDS. The Bonds shall be executed by the Governor, as Chairman of the Governing Board, and attested to by the Secretary or an Assistant Secretary of the Governing Board, or such other officers as may be designated by subsequent resolution of the Governing Board, and the corporate seal of the Division shall be affixed thereto or reproduced thereon. The Bond Registrar/Paying Agent's certificate of authentication shall appear on the Bonds, signed by an authorized signatory of said Bond Registrar/Paying Agent. Any of the above signatures may be a facsimile signature imprinted or reproduced on the Bonds, provided that at least one signature required shall be manually subscribed. In case any officer of the Governing Board or authorized officer, employee, or attorney-in-fact of the Bond Registrar/Paying Agent whose manual or facsimile signature shall appear on any of the Bonds or on the certificate of authentication thereon shall cease to be such officer of the Governing Board or officer, employee, or attorney-in-fact of the Bond Registrar/Paying Agent before delivery of such Bonds or certificate of authentication, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes, the same as if such persons had remained in office until such delivery, and also any Bonds may bear the manual or facsimile signature of, or such certificate of authentication may be manually signed by, any person who, as of the time of the execution or authentication of such Bonds, shall be the proper officer of the Governing Board or the duly authorized officer, employee or attorney-in-fact of the Bond Registrar/Paying Agent, who is entitled to execute, attest, or authenticate such Bonds, although at the dated date of such Bonds such person may not have been such an officer of the Governing Board or an officer, employee or attorney-in-fact of the Bond Registrar/Paying Agent.

A certificate as to the approval of the issuance of the Bonds pursuant to the provisions of the State Bond Act shall be executed by a signature or facsimile signature of the Secretary or an Assistant Secretary of the Governing Board.

SECTION 2.06. NEGOTIABILITY. The Bonds shall have all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code - Investment Securities Law of the State of Florida. The original Registered Owner and each successive Registered Owner of any of the Bonds shall be conclusively deemed by the acceptance thereof to have agreed that the Bonds shall be and have all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code - Investment Securities Law of the State of Florida.

SECTION 2.07. REGISTRATION AND TRANSFER. The Bonds shall be issued only as fully registered bonds without coupons. The Bond Registrar/Paying Agent shall be responsible for maintaining the books for the registration of and for the transfer of the Bonds in compliance with its agreement with the State.

Upon surrender to the Bond Registrar/Paying Agent for transfer or exchange of any Bond, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner or his attorney duly authorized in writing, the Bond Registrar/Paying Agent shall deliver in the name of the transferee or transferees a fully registered Bond or Bonds of authorized denomination of the same maturity for the aggregate principal amount which the Registered Owner is entitled to receive. The Bond Registrar/Paying Agent shall not be required to issue, transfer or exchange any Bonds on a Record Date.

All Bonds presented for transfer, exchange, redemption or payment shall be accompanied (if so required by the Division or the Bond Registrar/Paying Agent) by a written instrument or instruments of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the Division and the Bond Registrar/Paying Agent, duly executed by the Registered Owner or by his duly authorized attorney.

Neither the Division nor the Bond Registrar/Paying Agent may charge the Registered Owner or his transferee for any expenses incurred in making any exchange or transfer of the Bonds. However, the Division and the Bond Registrar/Paying Agent may require payment from the Registered Owner of a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation thereto. Such governmental charges and expenses shall be paid before any such new Bond shall be delivered.

New Bonds delivered upon any transfer or exchange shall be valid obligations of the Department evidencing the same debt as the Bonds surrendered, shall be secured by this Resolution, and shall be entitled to all of the security and benefits hereof to the same extent as the Bonds surrendered.

The Division and the Bond Registrar/Paying Agent may treat the Registered Owner of any Bond as the absolute owner thereof for all purposes, whether or not such Bond shall be overdue, and shall not be bound by any notice to the contrary.

Notwithstanding the foregoing provisions of this section, the Division reserves the right, on or prior to the delivery of the Bonds, to amend or modify the foregoing provisions relating to registration of the Bonds in order to comply with all applicable laws, rules, and regulations of the United States and the State of Florida relating thereto.

SECTION 2.08. AUTHENTICATION. Unless otherwise provided by subsequent resolution, no Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this Resolution unless and until a certificate of authentication on such Bond shall have been duly executed by the manual signature of the Bond Registrar/Paying Agent, and such executed certificate of the Bond Registrar/Paying Agent upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Resolution. The Bond Registrar/Paying Agent's certificate of authentication on any Bond shall be deemed to have been executed by it if signed by an authorized officer or signatory of the Bond Registrar/Paying Agent, but it shall not be necessary that the same officer or signatory sign the certificate of authentication on all of the Bonds issued hereinafter.

SECTION 2.09. DISPOSITION OF BONDS PAID OR EXCHANGED. Whenever any Bond shall be delivered to the Bond Registrar/Paying Agent for cancellation, upon payment of the principal amount thereof or for replacement or transfer or exchange, such Bonds shall either be cancelled and retained by the Bond Registrar/Paying Agent for a period of time specified in writing by the Division or the Board of Administration, or, at the option of the Division or the Board of Administration, shall be cancelled and destroyed by the Bond Registrar/Paying Agent and counterparts of a certificate of destruction evidencing such destruction shall be furnished to the Division or the Board of Administration.

SECTION 2.10. BONDS MUTILATED, DESTROYED, STOLEN OR LOST. In case any Bond shall become mutilated, or be destroyed, stolen or lost, the Division may in its discretion issue and deliver a new Bond of like tenor as the Bond so mutilated, destroyed, stolen, or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Registered Owner furnishing the Division proof of ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Division may prescribe and paying such expense as the Division may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar/Paying Agent. If any such Bond shall have matured or is about to mature, instead of issuing a substitute Bond, the Division may pay the same, upon being indemnified as aforesaid, and if such Bond is lost, stolen or destroyed, without surrender thereof.

Any such duplicate Bond issued pursuant to this section shall constitute an original, additional, contractual obligation on the part of the Division, whether or not the lost, stolen or destroyed Bond is at any time found by anyone and such duplicate Bond shall be entitled to equal and proportionate benefits and rights as to lien, source and security for payment, pursuant to this Resolution from the Pledged Revenues.

SECTION 2.11. FORM OF BONDS. The Bonds will be in such form as determined by the Director.

Notwithstanding anything to the contrary in this Resolution, the Bonds may be issued in book-entry only form utilizing the services of the Securities Depository. So long as a book-entry only system of evidence of transfer of ownership of all the Bonds is maintained in accordance herewith, any provision of this Resolution relating to the delivery of physical bond certificates shall be inapplicable, and this Resolution shall be deemed to give full effect to such book-entry system.

If the Bonds are issued in book-entry only form:

(A) The Bonds shall be issued in the name designated by the Securities Depository as Registered Owner of the Bonds, and held in the custody of the Securities Depository or its designee.

(B) Transfers of beneficial ownership of the Bonds will be effected on the records of the Securities Depository and its Participants pursuant to rules and procedures established by the Securities Depository (“Participants” include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, as well other organizations that clear through or maintain a custodial relationship with such organizations, either directly or indirectly).

(C) Each Participant shall be credited in the records of the Securities Depository with the amount of such Participant’s interest in the Bonds. Beneficial ownership interests in the Bonds may be purchased by or through Participants. The holders of these beneficial ownership interests are hereinafter referred to as the “Beneficial Owners.” The Beneficial Owners shall not receive Bonds representing their beneficial ownership interests. The ownership interests of each Beneficial Owner shall be recorded through the records of the Participant from which such Beneficial Owner purchased its Bonds. Transfers of ownership interests in the Bonds shall be accomplished by book entries made by the Securities Depository and, in turn, by Participants acting on behalf of Beneficial Owners.

(D) Unless otherwise provided herein, the Division, the Department, the Board of Administration and the Bond Registrar/Paying Agent (as used in this section, the “State and its agents”) shall treat the Securities Depository as the sole and exclusive owner of the Bonds registered in its name for the purposes of:

(1) payment of the principal of, premium, if any, and interest on the Bonds or portion thereof to be redeemed or purchased. Payments made to the Securities Depository of principal, premium, and interest shall be valid and effective to fully satisfy and discharge the Department’s obligations to the extent of the sums so paid;

(2) giving any notice permitted or required to be given to Registered Owners under this Resolution; and

(3) the giving of any direction or consent or the making of any request by the Registered Owners hereunder. The State and its agents may rely conclusively upon

(i) a certificate of the Securities Depository as to the identity of the Participants with respect to the Bonds; and

(ii) a certificate of any such Participant as to the identity of, and the respective principal amount of Bonds beneficially owned by, the Beneficial Owners.

(E) The State and its agents shall have no responsibility or obligations to the Securities Depository, any Participant, any Beneficial Owner or any other person which is not shown on the Bond Register, with respect to:

(1) the accuracy of any records maintained by the Securities Depository or any Participant;

(2) the payment by the Securities Depository or by any Participant of any amount due to any Beneficial Owner in respect of the principal amount or redemption or purchase price of, or interest on, any Bond;

(3) the delivery of any notice by the Securities Depository or any Participant;

(4) the selection of the Participants or the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; or

(5) any consent given or any other action taken by the Securities Depository or any Participant.

(F) The requirements in this Resolution of holding, delivering or transferring Bonds shall be deemed modified to require the appropriate person to meet the requirements of the Securities Depository as to registering or transferring the book-entry Bonds to produce the same effect. Any provision hereof permitting or requiring delivery of the Bonds shall, while the Bonds are in book-entry only form, be satisfied by the notation thereof on the books of the Securities Depository in accordance with applicable state law.

The Division may discontinue the book-entry system with the then-current Securities Depository, subject to the terms of its agreement with such Securities Depository. In this event, the Division shall either

(1) identify another qualified Securities Depository; or

(2) prepare and deliver replacement Bonds in the form of fully registered bonds to each Beneficial Owner.

ARTICLE III

APPLICATION OF BOND PROCEEDS

SECTION 3.01. APPLICATION OF BOND PROCEEDS. Upon receipt of the proceeds of the sale of the Bonds, the Division shall transfer and apply such proceeds as follows:

(A) The amount necessary to pay all costs and expenses of the Division (to the extent permitted by the Code) in connection with the preparation, issuance, and sale of the Bonds, including a reasonable charge for the services of the Division for its fiscal services and for arbitrage rebate compliance program set-up, shall be transferred to the Division.

(B) Any accrued interest and capitalized interest on the Bonds shall be transferred to the Board of Administration and deposited in the Sinking Fund, and used for the payment of interest on the Bonds.

(C) An amount which, together with other moneys which may be available therefor and on deposit in the Reserve Account, is necessary to fund the Reserve Requirement, if any, shall be transferred to the Board of Administration and deposited in the applicable subaccount in the Reserve Account within the Sinking Fund. Alternatively, the Division, as provided in Section 4.04 of this Resolution, may elect at any time to provide in lieu of all or a portion of such funds a Reserve Account Credit Facility in an amount equal to the difference between the Reserve Requirement and the sums then on deposit in the applicable subaccount in the Reserve Account.

(D) After making the transfers provided for in (A) through (C) above, the balance of the proceeds of the Bonds shall be transferred to and deposited into the Federal Highway Reimbursement Revenue Bond Proceeds Account, as created in Section 3.02, and used for the purposes of said fund, or in the case of refunding bonds issued pursuant to Section 5.02, an amount which, together with any other available funds, is sufficient for purposes of such refunding including the payment of the amount of fees and expenses estimated to be due in connection with such refunding, is to be deposited into a separate trust fund created pursuant to an escrow deposit agreement.

SECTION 3.02. FEDERAL HIGHWAY REIMBURSEMENT REVENUE BOND PROCEEDS ACCOUNT. There is hereby created in the Treasury of the State an account to be known as the Federal Highway Reimbursement Revenue Bond Proceeds Account. The Federal Highway Reimbursement Bond Proceeds Account shall be administered by the Department and shall be used only for the distribution of bond proceeds for purposes authorized pursuant to Section 215.616(1), Florida Statutes. If the Bonds are issued in Series, separate subaccounts within the Federal Highway Reimbursement Bond Proceeds Account may be established from the proceeds of the sale of each Series of Bonds.

If any unexpended balance of funds shall remain in any subaccount of the Federal Highway Reimbursement Bond Proceeds Account after the completion of the purposes for which a Series of Bonds were issued, such

unexpended balance shall be deposited into the Sinking Fund to be used to pay debt service or to purchase or redeem Bonds, unless otherwise requested by the Department, provided that such application will not adversely affect the exemption from federal income taxation of interest on any of the Bonds.

SECTION 3.03. INVESTMENT OF FEDERAL HIGHWAY REIMBURSEMENT BOND PROCEEDS ACCOUNT. Any moneys in the Federal Highway Reimbursement Bond Proceeds Account not immediately needed for the purposes of said account may be temporarily invested and reinvested, as provided in Section 17.57, Florida Statutes. Any and all income and interest received upon any investment or reinvestment of moneys in the Federal Highway Reimbursement Bond Proceeds Account shall be deposited in said account and all investments shall be liquidated whenever necessary to provide moneys needed for the purposes of said account.

SECTION 3.04. LIEN OF REGISTERED OWNERS ON BOND PROCEEDS ACCOUNT MONEYS. The Registered Owners of each Series of Bonds shall have a lien on all the proceeds of such Series of Bonds deposited in the Federal Highway Reimbursement Bond Proceeds Account, and interest earnings thereon, until such moneys are expended as provided herein, except to the extent such moneys are required for the payment of any Rebate Amount. The Registered Owners shall not acquire a lien upon any property acquired or constructed with Bond proceeds and shall not have any authority over, or responsibility for, the application or use of any of the proceeds derived from the sale of Bonds.

ARTICLE IV

SECURITY FOR THE BONDS;

APPLICATION AND ADMINISTRATION OF PLEDGED REVENUES

SECTION 4.01. BONDS SECURED BY PLEDGED REVENUES.

(A) The payment of principal of and interest on the Bonds shall be secured forthwith equally and ratably by a valid and enforceable first lien upon the Pledged Revenues to be received under this Resolution as provided for in Section 6.01 of this Resolution, and such Pledged Revenues, except as may be required for payment of Rebate Amounts, are hereby irrevocably pledged to the payment of the principal and interest on the Bonds, as the same become due.

(B) The Bonds shall not be or constitute a general obligation of the State or a pledge of the full faith and credit or taxing power of the State, but shall be payable solely from the Pledged Revenues, as provided herein. No Registered Owner or Registered Owners of the Bonds shall ever have the right to compel the exercise of the taxing power of the State, or any political subdivision thereof, to pay such Bonds or the interest thereon, or be entitled to payment of such principal and interest from any other funds except such payments consisting of the Pledged Revenues, in the manner provided herein.

SECTION 4.02. CREATION OF FUNDS AND ACCOUNTS. There are hereby created separate funds to be held by the Board of Administration and known as the "Sinking Fund" and the "Rebate Fund." The Sinking Fund shall contain two accounts: the "Debt Service Account" and the "Reserve Account."

The funds and accounts created and established by this Article IV constitute trust funds for the purposes provided in this Resolution and shall be used only for the purposes and in the manner provided in this Resolution. All of such funds shall be continuously secured in the same manner as deposits of State funds are required to be secured by the laws of the State.

SECTION 4.03. FLOW OF FUNDS.

(A) The Department shall cause federal highway aid reimbursements received and deposited in the State Transportation Trust Fund to be transferred (after provision is made for payment of Administrative Expenses) in the following manner, amounts, and order of priority:

(1) The Department shall transfer to the Board of Administration for deposit to the Debt Service Account on the 15th day of each month while any of the Bonds remain Outstanding, the amount sufficient to pay 1/6 of the interest becoming due on the Bonds on the next Interest Payment Date; provided that (a) such monthly deposits for interest shall not be required to be made into the Debt Service Account to the extent that money on deposit therein is sufficient for such purpose and (b) if the period to elapse between interest payment dates will be other than 6 months, then such monthly deposits shall be adjusted to provide equal monthly deposits aggregating to the amount due on the next interest payment date. Failure to deposit the full

payment amount by the 15th day of the month shall not constitute an event of default, but the Department shall deposit funds sufficient to make up any deficiency as soon as available.

(2) The Department shall transfer to the Board of Administration for deposit to the Debt Service Account on the 15th day of each month while any of the Bonds remain Outstanding, the amount sufficient to pay 1/12 of the principal amount of the Bonds, including Amortization Installments, which will mature and become due on the next Principal Payment Date, beginning with the first full calendar month following the delivery date of the first Series of Bonds, provided that (a) such monthly deposits for principal shall not be required to be made into the Debt Service Account to the extent that money on deposit therein is sufficient for such purpose and (b) if the period to elapse between the date of delivery of the Bonds and the next Principal Payment Date will be other than 12 months, then such monthly deposits shall be adjusted to provide equal monthly deposits aggregating to the required principal amount maturing on the next Principal Payment Date. Failure to deposit the full payment amount by the 15th day of the month shall not constitute an event of default, but the Department shall deposit funds sufficient to make up any deficiency as soon as available.

(3) The Department shall transfer to the Board of Administration on the 15th day of each month while any of the Bonds remain Outstanding for the maintenance and establishment of the Reserve Account, or subaccounts therein, an amount which, together with other moneys available for such purposes, equals the applicable Reserve Requirement. The moneys in a subaccount in the Reserve Account shall be used for the payments provided for in subsections (1) and (2) above when the other moneys in the Sinking Fund are insufficient therefor. Any withdrawals from a subaccount in the Reserve Account shall be restored from the first moneys available therefor.

The Division shall cause to be established and the Board of Administration shall establish one or more specific subaccounts in the Reserve Account. Each subaccount may be established for one or more Series of Bonds. Each subaccount shall be available only to cure deficiencies in the accounts in the Sinking Fund with respect to the Series of Bonds for which such subaccount has been established, and no amounts in the other subaccounts in the Reserve Account shall be available for such purpose. Such separate subaccount shall be established and designated in the resolution authorizing such Series of Bonds. Such resolution may also specify the method of valuation of the amounts held in such separate subaccount.

Any unused portion of the moneys in a subaccount in the Reserve Account may be used by the Department to reduce the final installments of the Annual Debt Service becoming due on Bonds secured by such subaccount.

Notwithstanding the foregoing provisions, in lieu of the required deposits into the Reserve Account, the Department may at any time cause to be deposited into one or more subaccounts in the Reserve Account, one or more Reserve Account Credit Facilities for the benefit of the Registered Owners for which each subaccount has been established, in an amount which, together with sums on deposit, equals the Reserve Requirement. In no event shall the use of such Reserve Account Credit Facilities be permitted if such use would cause, at the time of acquisition of such Reserve Account Credit Facility, an impairment in any existing rating on the Bonds or any Series of Bonds. The Reserve Account Credit Facilities shall be payable or available to be drawn upon, as the case may be, on or before any Interest Payment Date or Principal Payment Date on which a deficiency exists which cannot be cured by funds in any other account held for such Bonds pursuant to this Resolution and available for such purpose. If more than one Reserve Account Credit Facility is deposited into a subaccount in the Reserve Account, each Reserve Account Credit Facility shall be drawn upon in a proportion equal to its relative share of the amounts in such subaccount in the Reserve Account. If a disbursement is made under the Reserve Account Credit Facility, the Department shall be obligated, from the first Pledged Revenues available, to either reinstate such Reserve Account Credit Facility immediately following such disbursement to the amount required to be maintained in the applicable subaccount in the Reserve Account or to deposit into the applicable subaccount in the Reserve Account from the Pledged Revenues, as herein provided, funds in the amount of the disbursement made under such Reserve Account Credit Facility plus any amounts required to reimburse the Reserve Account Credit Facility provider for previous disbursements made pursuant to such Reserve Account Credit Facility, or a combination of such alternatives as shall equal the amount required to be maintained. To the extent that the Department reinstates a Reserve Account Credit Facility or reimburses a Reserve Account Credit Facility provider, such reinstatement or reimbursement shall be in proportion to the amounts drawn from the various Reserve Account Credit Facilities.

Any moneys in a subaccount in the Reserve Account in excess of the amount required to be maintained therein shall, to the extent permitted by the Code, first be used to cure any deficiency in any other subaccount in the Reserve Account and then for the purposes and in the priority established by this section.

(4) The Department shall transfer to the Board of Administration for deposit to the Rebate Fund on the 15th day of each month while any of the Bonds remain Outstanding, an amount sufficient to pay the Rebate Amount, if any.

The balance of any money not needed for the payments provided above shall be transferred to the Department for deposit in the State Transportation Trust Fund to be used for any lawful purpose.

(B) If on any payment date the Pledged Revenues are insufficient to place the required amounts in any of the funds, accounts, or subaccounts as above provided, the deficiency shall be made up in subsequent payments in addition to the payments which would otherwise be required to be made into such funds, accounts, or subaccounts on the subsequent payment dates.

(C) Except insofar as such funds may be needed for any payment required to be made by the terms of this Resolution or the Bonds, and except as otherwise provided herein, moneys in any of the funds authorized or required by this Resolution may be invested and reinvested at any time as provided by Section 17.57 or 215.47, Florida Statutes, where applicable. When so invested or reinvested, the proceeds derived from the investment or reinvestment of such obligations shall be held for and credited to the fund, account, or subaccount for which said obligations were purchased except as otherwise provided in this Resolution; provided, however, that any such obligations purchased as investments for moneys in the Sinking Fund shall mature not later than the dates upon which such moneys will be needed for the payment of maturing principal and interest to be paid from said Sinking Fund.

ARTICLE V

ADDITIONAL BONDS, REFUNDING BONDS, AND ISSUANCE OF OTHER OBLIGATIONS

SECTION 5.01. ISSUANCE OF ADDITIONAL BONDS. The Division is authorized to issue Additional Bonds, but only upon the following terms, restrictions and conditions:

(A) The proceeds from such Additional Bonds shall be used to finance projects eligible to receive federal aid highway funds or to refund Outstanding Bonds.

(B) The Department shall request the issuance of such Additional Bonds.

(C) The Board of Administration shall approve the fiscal sufficiency of such Additional Bonds.

(D) The Board of Administration, or other appropriate State official, shall certify that the Department is current in all deposits into the various funds and accounts and all payments required to have been deposited or made under the provisions of this Resolution, and the Department is currently in compliance with the covenants and provisions of this Resolution and any supplemental resolution hereafter adopted for the issuance of Additional Bonds, or upon the issuance of such Additional Bonds the Department will be brought into compliance with all such financial requirements, covenants and provisions.

(E) A certificate shall be filed with the Board and the Division signed by an authorized officer of the Department or other appropriate State official setting forth (1) the total amount of federal highway aid reimbursements received pursuant to Federal Aid Authorization during the two immediately preceding Fiscal Years; and (2) the Annual Debt Service and the Maximum Annual Debt Service on the then-Outstanding Bonds and on the Additional Bonds proposed to be issued.

(F) The average amount of Pledged Revenues for the two immediately preceding Fiscal Years, as certified by the Department, will be at least equal to 500% of the Maximum Annual Debt Service on (i) the Bonds then Outstanding and (ii) the Additional Bonds proposed to be issued.

SECTION 5.02. REFUNDING BONDS. The Bonds originally issued pursuant to this Resolution then Outstanding, together with all Additional Bonds issued and then Outstanding, may be refunded as a whole or in part. If the Annual Debt Service of the refunding Bonds in each Fiscal Year is equal to or less than the corresponding Annual Debt Service of the refunded Bonds, then the provisions of subsections 5.01 (D), (E), and (F) of this Resolution shall not apply to the issuance of such refunding Bonds.

SECTION 5.03. ISSUANCE OF OTHER OBLIGATIONS OR CREATION OF ENCUMBRANCES.

The Division and the Department covenant that they will not issue any other obligations, except Additional Bonds provided for in Section 5.01 hereof, and refunding Bonds provided for in Section 5.02 hereof, payable from the Pledged Revenues nor voluntarily create or cause to be created any other debt, lien, pledge, assignment, encumbrance or other charge, having priority to or being on a parity with the lien of the Bonds, upon the Pledged Revenues securing the Bonds provided for in this Resolution. Any such other obligations hereafter issued by the Department, other than the Bonds and the Additional Bonds and parity refunding Bonds provided for in Sections 5.01 and 5.02 hereof, shall contain an express statement that such obligations are junior and subordinate to the Bonds, as to lien on and source and security for payment from such Pledged Revenues.

SECTION 5.04. NO ACCELERATION. The Bonds shall not be accelerated on account of any default on any payments required under the Resolution.

ARTICLE VI

COVENANTS

SECTION 6.01. PLEDGE OF PLEDGED REVENUES; PLEDGED REVENUES COLLECTION AND TRANSFER.

(A) The Department hereby covenants and agrees with the Registered Owners of Bonds that, so long as any of the Bonds, or interest thereon, are Outstanding and unpaid, all of the Pledged Revenues provided for in this Resolution shall be pledged to the payment of the principal of and interest on the Bonds and the payment of such other amounts as are provided for in this Resolution, in the manner provided in this Resolution, and the Registered Owners of the Bonds shall have a valid and enforceable first lien on such Pledged Revenues in the manner provided herein.

(B) The Department covenants that it will punctually apply the Pledged Revenues in the manner and at the times provided in this Resolution, that the Pledged Revenues will be applied in a manner that assures the availability of sufficient moneys for the full and timely payment of debt service on the Bonds and that it will duly and punctually perform and carry out all the covenants of the Department made herein and the duties imposed upon the Department by this Resolution.

(C) The Department covenants that it will, to the extent permitted by law, annually apply for and reasonably cooperate with the Federal Highway Administration in order to receive the greatest amount of federal highway aid reimbursements reasonably available to the State that will become Pledged Revenues.

SECTION 6.02. PROTECTION OF RIGHTS OF REGISTERED OWNERS. State has covenanted in Section 215.616, Florida Statutes, that it will not repeal, impair, or amend the section of the law that establishes the prior and superior claim on the Pledged Revenues committed to repayment of the Bonds, or take any other action that will materially and adversely affect the rights of Registered Owners of Bonds so long as the Bonds are outstanding.

SECTION 6.03. COMPLIANCE WITH TAX REQUIREMENTS.

(A) In addition to any other requirement contained in this Resolution, the Division, the Department, and the Board of Administration hereby covenant and agree, for the benefit of the Registered Owners from time to time of the Bonds issued subject to the provisions of the Code, that each will comply with the applicable requirements contained in Section 103 and Part IV of Subchapter B of Chapter 1 of the Code as shall be set forth in the non-arbitrage certificate of the Department dated and delivered on the date of delivery of each such Series of Bonds. Specifically, without intending to limit in any way the generality of the foregoing, the Division and the Department covenant and agree:

(1) to pay or cause to be paid to the United States of America from the Pledged Revenues and any other legally available funds, at the times required pursuant to Section 148(f) of the Code, the Rebate Amount;

(2) to maintain and retain or cause to be maintained and retained all records pertaining to and to be responsible for making or causing to be made all determinations and calculations of the Rebate Amount and required payments of the Rebate Amount as shall be necessary to comply with the Code;

(3) to refrain from using proceeds from the Bonds in a manner that might cause any of the Bonds to be classified as private activity bonds under Section 141(a) of the Code; and

(4) to refrain from taking any action that would cause any of the Bonds to become arbitrage bonds under Section 148 of the Code.

The Department, the Division and the Board of Administration acknowledge that the foregoing covenants impose continuing obligations that will exist throughout the term of the issue to comply with the requirements of the Code.

(B) The Division and Department covenant and agree that they shall maintain and retain or cause to be maintained and retained all records pertaining to and they shall be responsible for making and having made all determinations and calculations of the Rebate Amount for each Series of Bonds issued hereunder for each Bond Year within 60 days after the end of such Bond Year and within 60 days after the final maturity of each such Series of Bonds. On or before the expiration of each such 60 day period, the Department shall deposit or direct the Board of Administration to deposit into the Rebate Fund from investment earnings or moneys deposited into the other funds and accounts created hereunder, or from any other legally available funds of the Department, an amount equal to the Rebate Amount for such Bond Year. The Board of Administration shall use such moneys deposited in the Rebate Fund only for the payment of the Rebate Amount to the United States as required by subsection (A) of this section, and as directed by the Department, which payments shall be made in installments, commencing not more than 60 days after the end of the fifth Bond Year and with subsequent payments to be made not later than five years after the preceding payment was due except that the final payment shall be made within 60 days after the final maturity of the last obligation of the Series of Bonds issued hereunder. In complying with the foregoing, the Division and the Department may rely upon any instructions or opinions from a nationally recognized bond/tax counsel.

Notwithstanding anything in this Resolution to the contrary, to the extent moneys on deposit in the Rebate Fund are insufficient for the purpose of paying the Rebate Amount and other funds of the Department are not available to pay the Rebate Amount, then the Board of Administration shall pay the Rebate Amount first from Pledged Revenues and, to the extent the Pledged Revenues are insufficient to pay the Rebate Amount, then from moneys on deposit in any of the funds and accounts created hereunder.

If at any time the Division or the Department determines that the amount of money on deposit in the Rebate Fund is in excess of the Rebate Amount, the Division or the Department may direct the Board of Administration to transfer the amount of money in excess of the Rebate Amount to the Department, for deposit into (i) the fund(s) or account(s) created hereunder to which such amount of money is attributable, or (ii) the State Transportation Trust Fund.

If any amount shall remain in the Rebate Fund after payment in full of all Bonds issued hereunder and after payment in full to the United States of any Rebate Amount in accordance with the terms hereof, such amounts shall be paid over to the Department and may be used for other purposes authorized by law.

The Rebate Fund shall be held separate and apart from all other funds and accounts of the Department and shall be subject to a lien in favor of the Registered Owners, but only to secure payment of the Rebate Amount, and the moneys in the Rebate Fund shall be available for use only as herein provided.

The Division, the Board of Administration, and the Department shall not be required to continue to comply with the requirements of this section in the event that the Division and the Board of Administration receive an opinion of nationally recognized bond/tax counsel that (1) such compliance is no longer required in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds or (2) compliance with some other requirement will comply with the provisions of the Code in respect of arbitrage rebate, or in the event that any other agency is subsequently designated by proper authority to comply with the requirements of this section.

SECTION 6.04. CONTINUING DISCLOSURE.

(A) In order to comply with Rule 15c2-12 of the Securities and Exchange Commission, the Department shall be required to provide such information as may be required, from time to time, under such rule.

(B) The Department, or its duly appointed representative, in conjunction with the appropriate officer of the Division, is authorized and directed to execute and deliver any documents or agreements which are necessary to comply with the requirements of Rule 15c2-12 of the Securities and Exchange Commission or any applicable successor rule.

ARTICLE VII

REMEDIES

SECTION 7.01. ENFORCEABILITY BY REGISTERED OWNERS.

(A) This Resolution, including the pledge of the Pledged Revenues, shall be deemed to have been made for the benefit of the Registered Owners from time to time of the Bonds. Such pledge and all the provisions of this Resolution shall be enforceable in any court of competent jurisdiction by any Registered Owner or Registered Owners of such Bonds, against either the Department or the Board of Administration or any other agency of the State, or instrumentality thereof, having any duties concerning collection, administration and disposition of the Pledged Revenues. The Department does hereby consent to the bringing of any proceedings in any court of competent jurisdiction by any Registered Owner or Registered Owners of the Bonds for the enforcement of all provisions of this Resolution and does hereby waive, to the extent permitted by law, any privilege or immunity from suit which it may now or hereafter have as an agency of the State. However, no covenant or agreement contained in this Resolution or any Bond issued pursuant hereto shall be deemed to be the covenant or agreement of any officer or employee of the State in such person's individual capacity, and neither the officers nor employees of the State nor any official executing any of the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

(B) Any Registered Owner of the Bonds, or any trustee acting for the Registered Owner of such Bonds, may by civil action in any court of competent jurisdiction, protect and enforce any and all rights, including the right to the appointment of a receiver, existing under the laws of the State, or granted and contained in this Resolution, and may enforce and compel the performance of all duties required by this Resolution, and by any applicable Statutes, to be performed by the Division, the Department, or the Board of Administration, or by any officer thereof, including the payment of the Pledged Revenues payable under this Resolution. Other than as specifically provided herein, nothing herein shall be construed to grant to any Registered Owner of the Bonds any lien on any facility or funds of the Department or the Division.

(C) For purposes of exercising remedies pursuant to this section, the issuer of a Bond Insurance Policy shall be deemed the sole Registered Owner of Bonds it has insured, provided that the issuer of such Bond Insurance Policy has not failed to comply with its payment obligations under the Bond Insurance Policy and the ratings on the insured Bonds, based on the Bond Insurance Policy, are no lower than the "A" category by each Rating Agency which has rated such Bonds, including any rating modifiers.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01. MODIFICATION OR AMENDMENT. Except as otherwise provided in the second and third paragraphs of this section, no materially adverse modification or amendment of this Resolution, or of any resolution amendatory thereof or supplemental thereto, may be made without the consent in writing of (i) the Registered Owners of more than fifty percent in principal amount of the Bonds then Outstanding or (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, the Registered Owners of more than fifty percent in principal amount of the Bonds so affected and Outstanding at the time such consent is given; provided, however, that no modification or amendment shall permit a change in the maturity of such Bonds or a reduction in the rate of interest thereon, or affecting the promise to pay the interest on and principal of the Bonds, as the same mature or become due, or reduce the percentage of Registered Owners of Bonds required above for such modification or amendments, without the consent of the Registered Owners of all the Bonds.

For purposes of this section, except where the consent of all Registered Owners of a Series of Bonds is required, to the extent any Series of Bonds is insured by a Bond Insurance Policy and such Series of Bonds is then rated in as high a rating category as the rating category in which such Series of Bonds was rated at the time of initial delivery thereof by a Rating Agency, then the consent of the issuer of the Bond Insurance Policy shall constitute the consent of the Registered Owners of such Series.

The Division may amend, change, modify and alter this Resolution without the consent of the Registered Owners of Bonds, (i) to cure any defect, omission, conflict, or ambiguity in this Resolution or between the terms and provisions hereof and any other document executed or delivered herewith, (ii) to provide other changes, including such changes as may be necessary in order to adjust the terms hereof so as to facilitate the issuance of various types of Bonds, and any other Bonds which may be issued hereunder, which will not materially adversely affect the interest

of such Registered Owner of Bonds, (iii) to provide for the issuance of Bonds in coupon form if, in the opinion of a nationally recognized bond/tax counsel, such issuance will not affect the exemption from federal income taxation of interest on the Bonds, (iv) to obtain credit enhancements or a higher rating in one of the three highest full rating categories of a Rating Agency, (v) to add to the covenants and agreements of the Division, the Board of Administration or the Department in this Resolution, other covenants and agreements to be observed by the Division, the Board of Administration, or the Department which are not contrary to or inconsistent with this Resolution as theretofore in effect, (vi) to add to the limitations and restrictions in this Resolution, other limitations and restrictions to be observed by the Division, the Board of Administration or the Department which are not contrary to or inconsistent with this Resolution as theretofore in effect, (vii) to permit the qualification hereof and thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualifications of the Bonds for sale under the securities laws of any of the states of the United States of America, (viii) to enable the Division, the Board of Administration and the Department to comply with their covenants, agreements and obligations under Section 6.03 of this Resolution, (ix) to specify and determine any matters and things relative to the Bonds which are not contrary to or inconsistent with this Resolution and which shall not materially adversely affect the interests of the Registered Owners, and (x) to amend or modify any provisions of this Resolution so long as such amendment or modification does not materially adversely affect the interests of the Registered Owners.

SECTION 8.02. NONPRESENTMENT OF BONDS; FUNDS HELD FOR BONDS AFTER DUE DATE OF BONDS. In the event any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity, or otherwise, if funds sufficient to pay such Bond shall have been made available to the Board of Administration for the benefit of the Registered Owner thereof, all liability of the Department to the Registered Owner thereof for the payment of such Bond shall forthwith cease, terminate, and be completely discharged, and thereupon it shall be the duty of the Board of Administration to hold such funds, without liability for interest thereon, for the benefit of the Registered Owner of such Bonds, who shall thereafter be restricted exclusively to such funds, for any claim of whatever nature on his part under this Resolution or on, or with respect to, said Bond. Any such funds held by the Board of Administration for the Registered Owners of such Bonds for seven years after the principal of the respective Bonds for which such funds have been so set aside has become due and payable and remaining (whether at maturity or upon redemption or otherwise) shall be subject to the laws of the State of Florida relating to disposition of unclaimed property, and unless demand for the payment of such Bonds shall have been made, the obligation thereon shall be extinguished.

SECTION 8.03. DEFEASANCE. The covenants, liens and pledges entered into, created or imposed pursuant to this Resolution may be fully discharged and satisfied with respect to any of the Bonds in any one or more of the following ways:

(A) By paying the principal of and interest on such Bonds when the same shall become due and payable; or

(B) By depositing with the Board of Administration, certain moneys which are irrevocably pledged to the payment of such Bonds and which, together with other moneys lawfully available therefor, shall be sufficient at the time of such deposit to pay when due the principal of, redemption premium, if any, and interest due and to become due on such Bonds on or prior to the redemption date or maturity date thereof; or

(C) By depositing with the Board of Administration, moneys which are irrevocably pledged to the payment of such Bonds and which, together with other moneys lawfully available therefor when invested in Defeasance Obligations, will provide moneys (principal and interest thereof at maturity) which shall be sufficient to pay the principal of, redemption premium, if any, and interest due and to become due on such Bonds on or prior to a date fixed for redemption or the maturity date thereof.

Upon such payment or deposit in the amount and manner provided in this section, the Bonds with respect to which payments on deposit have been made shall be deemed to be paid and shall no longer be deemed to be Outstanding for the purposes of this Resolution and all liability of the Department and Division with respect to such Bonds shall cease, terminate and be completely discharged and extinguished, and the Registered Owners thereof shall be entitled to payment solely out of the moneys or securities so deposited.

(D) Notwithstanding the foregoing, all references to the discharge and satisfaction of Bonds shall include the discharge and satisfaction of any Series of Bonds, any portion of any Series of Bonds, any maturity or maturities of any Series of Bonds, any portion of a maturity of any Series of Bonds or any combination thereof.

(E) If any portion of the moneys deposited for the payment of the principal of and redemption premium, if any, and interest on any portion of Bonds is not required for such purpose, the Department or the Board of Administration may use the amount of such excess which is not otherwise obligated under this Resolution, for any

lawful purpose, free and clear of any trust, lien, security interest, pledge or assignment securing said Bonds or otherwise existing under this Resolution.

(F) Nothing herein shall be deemed to require the Department or Division to call any of the Bonds for redemption prior to maturity pursuant to any applicable optional redemption provisions, or to impair the discretion of the Department or the Division in determining whether to exercise any such option for early redemption.

(G) Notwithstanding the foregoing, the covenants, liens and pledges entered into, created or imposed pursuant to this Resolution shall not be discharged and satisfied with respect to any of the Bonds with respect to which debt service has been paid pursuant to a Bond Insurance Policy, to the extent that the amount so paid has not been reimbursed to the issuer of such Bond Insurance Policy (or monies have not been deposited as set forth above to provide for payment of such amounts). The bond insurer shall be subrogated to the rights of the Registered Owners of Bonds with respect to which it has made payments pursuant to a Bond Insurance Policy.

SECTION 8.04. SURVIVAL OF CERTAIN PROVISIONS. Notwithstanding the foregoing, any provisions of this Resolution which relate to the maturity of Bonds, interest payments and dates thereof, optional and mandatory redemption provisions, credit against mandatory redemption requirements, exchange, transfer and registration of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, non-presentment of Bonds, the holding of moneys in trust, the calculation of the Rebate Amount and the paying of the Rebate Amount to the United States, shall remain in effect and be binding upon the Division, the Department, the Bond Registrar/Paying Agent and the Registered Owners notwithstanding the release and discharge of the lien and pledge of this Resolution or any subsequent resolution. The provisions of this section shall survive the release, discharge and satisfaction of this Resolution or any subsequent resolution.

SECTION 8.05. TRUST FUNDS.

(A) The funds and accounts established by this Resolution and all moneys on deposit therein shall constitute trust funds for their respective purposes as provided herein. The Sinking Fund shall be held and administered by the Board of Administration, and such funds shall be fully and continuously secured in the manner provided by the laws of the State for the securing of deposits of State funds. The Registered Owners shall have a lien on moneys in the Sinking Fund until such moneys are used or applied as provided herein.

(B) The designation and establishment of the various funds and accounts in and by this Resolution shall not be construed to require the establishment of any completely independent, self-balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of certain revenues for certain purposes and to establish certain priorities for application of such revenues as herein provided. Cash and investments required to be accounted for in each of the funds and accounts established by or pursuant to this Resolution may be deposited in a single bank account, provided that accounting records are maintained to reflect the moneys and investments therein and the receipts of and disbursements from such funds and accounts and the investment income earned therefrom.

SECTION 8.06. SUBSTITUTE FOR MAILING. If, because of the temporary or permanent suspension of postal service, any person shall be unable to mail any notice required to be given by the provisions of this Resolution, such person shall give notice in such other manner as in its judgment shall most effectively approximate such mailing; and the giving of such notice in such manner shall for all purposes of this Resolution be deemed to be in compliance with the requirement for the mailing thereof.

SECTION 8.07. INSTRUMENTS OF REGISTERED OWNERS. Any writing, including without limitation, any consent, request, direction, approval, objection or other instrument or document, required under this Resolution to be executed by any Registered Owner may be in any number of concurrent writings of similar tenor and may be executed by that Registered Owner in person or by an attorney-in-fact appointed in writing. Proof of (i) the execution of any writing, including without limitation, any consent, request, direction, approval, objection or other instrument or document, (ii) the execution of any writing appointing any attorney-in-fact, and (iii) the ownership of Bonds, shall be sufficient for any of the purposes of this Resolution, if made in the following manner, and if so made, shall be conclusive in favor of the Division, the Department, and the Board of Administration, with regard to any action taken thereunder, namely:

(a) the fact and date of the execution by any person of any writing may be proved by the certificate of any officer in any jurisdiction who has the power by law to take acknowledgments within that jurisdiction that the person signing the writing acknowledged that execution before that officer, or by affidavit of any witness to that execution; and

(b) the fact of ownership of Bonds of any Series shall be proved by the Bond Registrar/Paying Agent for such Series.

SECTION 8.08. VALIDATION AUTHORIZED. The attorneys for the Division are hereby authorized to institute proceedings to validate the Bonds, pursuant to Chapter 75, Florida Statutes.

SECTION 8.09. GOVERNING LAW. The laws of the State shall govern the construction of this Resolution and of all Bonds issued hereunder.

SECTION 8.10. SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants or provisions of this Resolution shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants or provisions shall be null and void and shall be deemed separable from the remaining covenants or provisions of this Resolution or of the Bonds and shall in no way affect the validity or enforceability of any other covenants, agreements or provisions of this Resolution or of the Bonds issued hereunder.

SECTION 8.11. REPEAL OF INCONSISTENT RESOLUTIONS. All resolutions and parts of resolutions heretofore adopted pertaining to the subject matter of this Resolution, to the extent that they are inconsistent with this Resolution, are hereby repealed, revoked, and rescinded, but only to the extent of any such inconsistencies.

SECTION 8.12. EFFECTIVE DATE. This Resolution shall take effect immediately upon its adoption.

ADOPTED July 25, 2019.

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FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Series 2019A Bonds in definitive form, Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Bond Counsel, proposes to render its final approving opinion with respect to the Series 2019A Bonds in substantially the following form:

[Dated Date of Delivery]

Division of Bond Finance of the
State Board of Administration
Tallahassee, Florida

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$123,225,000 State of Florida Department of Transportation Federal Highway Reimbursement Revenue Bonds, Series 2019A (Indirect GARVEEs) (the "Bonds") by the Division of Bond Finance (the "Division") of the State Board of Administration of Florida. The Bonds are issued under the authority of the Laws of the State of Florida, including Article VII, Section 11(d) of the Florida Constitution, Section 215.57-215.83, Florida Statutes, Section 215.616, Florida Statutes, Title 23 of the United States Code and other applicable provisions of law, and under and pursuant to a resolution of the Governing Board of the Division (the "Governing Board") adopted on July 25, 2019, as amended and supplemented (the "Resolution").

The Bonds are dated and shall bear interest from their date of delivery, except as otherwise provided in the Resolution. The Bonds will mature on the dates and in the principal amounts and will bear interest at the respective rates per annum, as provided in the Official Statement for the Bonds. Interest on the Bonds shall be payable on January 1 and July 1 of each year, commencing July 1, 2020.

The Bonds are issued for the principal purpose of providing funds which will be sufficient to (i) finance the cost of projects eligible for Federal-aid highway funds, and (ii) pay certain expenses related to the issuance and sale of the Bonds as described in the Resolution.

As to questions of fact material to our opinion, we have relied upon the representations of the Division and the Florida Department of Transportation (the "Department") contained in the Resolution, and in the certified proceedings relating thereto and to the issuance of the Bonds and other certifications of public officials furnished to us in connection therewith, without undertaking to verify the same by independent investigation. Furthermore, we have assumed continuing compliance with the covenants and agreements contained in the Resolution. We have not undertaken an independent audit, examination, investigation or inspection of the matters described or contained in any agreements, documents, certificates, representations and opinions relating to the Bonds, and have relied solely on the facts, estimates and circumstances described and set forth therein. In our examination of the foregoing, we have assumed the genuineness of signatures on all documents and instruments, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies.

Based on the foregoing, under existing law, we are of the opinion that:

1. The Division is a duly created and validly existing public body corporate of the State of Florida.
2. The Governing Board has the right and power under the Constitution and laws of the State of Florida to adopt the Resolution, and the Resolution has been duly and lawfully adopted by the Governing Board, is in full force and effect in accordance with its terms and is valid and binding upon the Governing Board and the Division and enforceable in accordance with its terms, and no other authorization for the Resolution is required.

3. The Resolution creates the valid pledge which it purports to create of the Pledged Revenues (as such term is defined in the Resolution), subject to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution. The Division is duly authorized and entitled to issue the Bonds, and the Bonds have been duly and validly authorized and issued by the Division in accordance with the Constitution and Laws of the State of Florida and the Resolution. The Bonds constitute valid and binding obligations of the State of Florida (the "State") as provided in the Resolution, are enforceable in accordance with their terms and the terms of the Resolution, and are entitled to the benefits of the Resolution and the laws pursuant to which they are issued. The Bonds shall be issued on parity under the Resolution with certain other obligations that may be outstanding under the Resolution, to the extent and except as provided in the Resolution. The Bonds do not constitute a general indebtedness of the Division, the Department or the State or any agency, department or political subdivision thereof, or a pledge of the faith and credit of such entities, but are solely payable from the Pledged Revenues in the manner and to the extent provided in the Resolution. No holder of the Bonds shall ever have the right to compel the exercise of any ad valorem taxing power of the State or any political subdivision, agency or department thereof to pay the Bonds.

4. Under existing statutes, regulations, rulings and court decisions, the interest on the Bonds (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The opinions set forth in this paragraph are subject to the condition that the Division and the Department comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continues to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Division and the Department have covenanted in the Resolution to comply with all such requirements. Ownership of the Bonds may result in collateral federal tax consequences to certain taxpayers. We express no opinion regarding such federal tax consequences arising with respect to the Bonds.

It should be noted that, except as may expressly be set forth in an opinion delivered by us to the underwriter for the Bonds and the Division (on which opinion only they may rely) on the date hereof, we have not been engaged or undertaken to review (1) the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds and we express no opinion relating thereto, or (2) the compliance with any federal or state law with regard to the sale or distribution of the Bonds and we express no opinion relating thereto.

The opinions expressed in paragraphs 2 and 3 hereof are qualified to the extent that the enforceability of the Resolution and the Bonds may be limited by any applicable bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting creditors' rights generally, or by the exercise of judicial discretion in accordance with general principles of equity.

The opinions set forth herein are expressly limited to, and we opine only with respect to, the laws of the State of Florida and the federal income tax laws of the United States of America. The only opinions rendered hereby shall be those expressly stated as such herein, and no opinion shall be implied or inferred as a result of anything contained herein or omitted herefrom.

This opinion is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

We have examined the form of the Bonds and, in our opinion, the form of the Bonds is regular and proper.

Very truly yours,

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by the State of Florida Department of Transportation (the “Department”) and the Division of Bond Finance of the State Board of Administration of Florida (the “Division”) in connection with the issuance of \$123,225,000 State of Florida, Department of Transportation, Federal Highway Reimbursement Revenue Bonds, Series 2019A (Indirect GARVEEs) (the “Bonds”). This Disclosure Agreement is being executed and delivered pursuant to Section 6.04 of the Resolution adopted by the Governor and Cabinet, as the Governing Board of the Division, on July 25, 2019, providing for the issuance of the Bonds. The Department and the Division covenant and agree as follows:

SECTION 1. PURPOSE OF THE DISCLOSURE AGREEMENT. This Disclosure Agreement is being executed and delivered by the Department and the Division for the benefit of the Registered Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Rule 15c2-12 (the “Rule”) of the Securities and Exchange Commission (the “SEC”). It shall inure solely to the benefit of the Department, the Division, the Registered Owners, the Beneficial Owners and the Participating Underwriters.

SECTION 2. DEFINITIONS. In addition to the definitions set forth in the resolution of the Governing Board of the Division adopted on July 25, 2019 (the “Resolution”), which apply to any capitalized term used in this Disclosure Agreement, the following capitalized terms shall have the following meanings:

“Beneficial Owner” shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Financial Obligation” shall mean a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) a guarantee of (a) or (b). The term financial obligation does not include municipal securities as to which a final official statement has been otherwise provided to the Municipal Securities Rulemaking Board (the “MSRB”) under the Rule.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

SECTION 3. CONTINUING DISCLOSURE. (A) Information To Be Provided. The Department assumes all responsibilities for any continuing disclosure as described below. In order to comply with the Rule, the Department hereby agrees to provide or cause to be provided the information set forth below, or such information as may be required to be provided, from time to time, under the Rule.

- (1) **Financial Information and Operating Data.** For fiscal years ending on June 30, 2020 and thereafter, annual financial information and operating data shall be provided within nine months after the end of the Department’s fiscal year. Such information shall include:
 - (a) Federal-aid Highway Apportionments and Allocations;
 - (b) Federal-aid Highway Obligation Authority;
 - (c) State Transportation Trust Fund Cash Balances;
 - (d) Receipts of Federal-aid Highway Funds;
 - (e) Unreimbursed Federal Obligations; and
 - (f) Debt Service Coverage.
- (2) **Audited Financial Statements.** If not submitted as part of the annual financial information, a copy of the State’s audited financial statements, prepared in accordance with generally accepted accounting principles, will be provided when and if available.
- (3) **Material Events Notices.** Notice of the following events, as enumerated in the Rule, relating to the Bonds will be provided in a timely manner not in excess of ten business days after the occurrence of the event:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt-service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (g) modifications to rights of security holders, if material;
- (h) bond calls, if material, and tender offers;
- (i) defeasances;
- (j) release, substitution or sale of property securing repayment of the securities, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the obligated person;
- (m) the consummation of merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (o) incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and
- (p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(4) Failure to Provide Annual Financial Information; Remedies.

- (a) Notice of the failure of the Department to provide the information required by paragraphs (A)(1) or (A)(2) of this Section will be provided in a timely manner.
- (b) The Department acknowledges that its undertaking pursuant to the Rule set forth in this Section is for the benefit of the Beneficial Owners and Registered Owners of the Bonds and shall be enforceable only by such Beneficial Owners and Registered Owners; provided that the right to enforce the provisions of such undertaking shall be conditioned upon the same enforcement restrictions as are applicable to the information undertakings in the Resolution and shall be limited to a right to obtain specific enforcement of the Department's obligations hereunder.

(B) Method of Providing Information.

- (1)
 - (a) Annual financial information and operating data described in paragraph 3(A)(1) and the audited financial statements described in paragraph 3(A)(2) shall be transmitted to the MSRB using the MSRB's Electronic Municipal Market Access System ("EMMA") or by such other method as may be subsequently determined by the MSRB.
 - (b) Material event notices described in paragraph 3(A)(3) and notices described in paragraph 3(A)(4) shall also be transmitted to the MSRB using EMMA or by such other method as may be subsequently determined by the MSRB.
- (2)
 - (a) Information shall be provided to the MSRB in an electronic format as prescribed by the MSRB, either directly, or indirectly through an indenture trustee or a designated agent.
 - (b) All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

- (C) If this Disclosure Agreement is amended to change the operating data or financial information to be disclosed, the annual financial information containing amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.
- (D) The Department's obligations hereunder shall continue until such time as the Bonds are no longer Outstanding or until the Department shall otherwise no longer remain obligated on the Bonds.
- (E) This Disclosure Agreement may be amended or modified so long as:
 - (1) any such amendments are not violative of any rule or regulation of the SEC or MSRB, or other federal or state regulatory body;
 - (2) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted;
 - (3) this Disclosure Agreement, as amended, would have complied with the requirements of Rule 15c2-12 of the SEC at the time of the primary offering, after taking into account any amendments or interpretations of the rule, as well as any change in circumstances; and
 - (4) the amendment does not materially impair the interests of Beneficial Owners or Registered Owners, as determined either by parties unaffiliated with the issuer or obligated person (such as bond counsel), or by approving vote of the Beneficial Owners and Registered Owners pursuant to the terms of the Resolution at the time of the amendment.

SECTION 4. ADDITIONAL INFORMATION. If, when submitting any information required by this Disclosure Agreement, the Department chooses to include additional information not specifically required by this Disclosure Agreement, the Department shall have no obligation to update such information or include it in any such future submission.

Dated this ___ day of _____, 2019.

STATE OF FLORIDA
DEPARTMENT OF TRANSPORTATION

DIVISION OF BOND FINANCE OF THE
STATE BOARD OF ADMINISTRATION
OF FLORIDA

By _____
Authorized Officer

By _____
Assistant Secretary

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PROVISIONS FOR BOOK-ENTRY ONLY SYSTEM OR REGISTERED BONDS**The Depository Trust Company and Book-Entry Only System**

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA (the "Division") BELIEVES TO BE RELIABLE; HOWEVER, THE DIVISION TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

The Depository Trust Company ("DTC") New York, NY, will act as securities depository for the State of Florida, Department of Transportation, Federal Highway Reimbursement Revenue Bonds, Series 2019A (Indirect GARVEEs) (the "Series 2019A Bonds"). The Series 2019A Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Series 2019A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities and Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants" and together with Direct Participants, the "Participants"). DTC has an S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of the Series 2019A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2019A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2019A Bond (a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2019A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2019A Bonds, except in the event that use of the book-entry system is discontinued.

To facilitate subsequent transfers, all Series 2019A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2019A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in Beneficial Ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2019A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2019A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2019A Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2019A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2019A Bond documents. For example, Beneficial Owners of Series 2019A Bonds may wish to

ascertain that the nominee holding the Series 2019A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of the Series 2019A Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co., nor any other DTC nominee, will consent or vote with respect to the Series 2019A Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Division as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2019A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Series 2019A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Bond Registrar/Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, nor its nominee, the Bond Registrar/Paying Agent, the Division, or the State of Florida Department of Transportation (the "Department"), subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, is the responsibility of the Bond Registrar/Paying Agent; disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services with respect to the Series 2019A Bonds at any time by giving reasonable notice to the Division or Bond Registrar/Paying Agent and discharging its responsibilities with respect thereto under applicable law. The Division may decide to discontinue use of the system of book-entry transfers for the Series 2019A Bonds through DTC, or a successor securities depository. Under such circumstances, in the event that a successor securities depository is not obtained, certificates for the Series 2019A Bonds will be printed and delivered as provided in the documents authorizing the issuance and sale of the Series 2019A Bonds.

For every transfer and exchange of beneficial interests in the Series 2019A Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other government charge that may be imposed in relation thereto.

So long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2019A Bonds, references herein to the Registered Owners or Holders of the Series 2019A Bonds shall mean Cede & Co., and not mean the Beneficial Owners of the Series 2019A Bonds, unless the context requires otherwise.

The Division, the Department and the Bond Registrar/Paying Agent will not have any responsibility or obligation with respect to:

- (i) the accuracy of the records of DTC, its nominee or any DTC Participant or any successor securities depository, participants thereof or nominee thereof with respect to any beneficial ownership interest in the Series 2019A Bonds;
- (ii) the delivery to any DTC Participant or participant of any successor securities depository or any other person, other than a registered owner, as shown in the Bond Register, of any notice with respect to any Series 2019A Bond, including, without limitation, any notice of redemption;
- (iii) the payment to any DTC Participant or participant of any successor securities depository or any other person, other than a registered owner, as shown in the Bond Register, of any amount with respect to the principal of, premium, if any, or interest on the Series 2019A Bonds, or the purchase price of, any Series 2019A Bond;
- (iv) any consent given by DTC or any successor securities depository as registered owner; or
- (v) the selection by DTC or any DTC Participant or by any successor depository or its participants of the beneficial ownership interests in the Series 2019A Bonds for partial redemption.

So long as the Series 2019A Bonds are held in book-entry only form, the Division, the Department and the Bond Registrar/Paying Agent may treat DTC and any successor Securities Depository as, and deem DTC and any successor Securities Depository to be, the absolute owner of the Series 2019A Bonds for all purposes whatsoever, including, without limitation:

- (i) the payment of the principal of, premium, if any, and interest on the Series 2019A Bonds;
- (ii) giving notices of redemption and other matters with respect to the Series 2019A Bonds;
- (iii) registering transfers with respect to the Series 2019A Bonds; and
- (iv) the selection of the beneficial ownership interests in the Series 2019A Bonds for partial redemption.

Payment, Registration, Transfer and Exchange

The following provisions shall only be applicable if the book-entry-only system of registration is discontinued; for provisions which are applicable while the book-entry only system of registration is in effect, see "Book-Entry Only System" above.

The Division, the Department, and the Bond Registrar/Paying Agent may treat the Registered Owner of any Series 2019A Bond as the absolute owner for all purposes, whether or not such Series 2019A Bond is overdue, and will not be bound by any notice to the contrary.

Principal of and premium, if any, on the Series 2019A Bonds will be payable upon presentation and surrender of the Series 2019A Bonds when due at the corporate trust office of U.S. Bank Trust National Association, New York, New York, as Bond Registrar/Paying Agent.

Each Series 2019A Bond will be transferable or exchangeable only upon the registration books by the Registered Owner or an attorney duly authorized in writing, upon surrender of such Series 2019A Bond to the Bond Registrar/Paying Agent together with a written instrument of transfer (if so required) satisfactory in form to the Division and the Bond Registrar/Paying Agent, duly executed by the Registered Owner or a duly authorized attorney. Upon surrender to the Bond Registrar/Paying Agent for transfer or exchange of any Series 2019A Bond, duly endorsed for transfer or accompanied by an assignment in accordance with the Resolution, the Bond Registrar/Paying Agent will deliver in the name of the transferee(s) a fully registered Series 2019A Bond of authorized denomination of the same maturity for the aggregate principal amount which the Registered Owner is entitled to receive.

Neither the Division nor the Bond Registrar/Paying Agent may charge the Registered Owner or transferee for any expenses incurred in making any exchange or transfer of the Series 2019A Bonds. However, the Division and the Bond Registrar/Paying Agent may require payment from the Registered Owner of a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation thereto. Such governmental charges and expenses must be paid before any such new Series 2019A Bond is delivered.

The Bond Registrar/Paying Agent will not be required to issue, transfer or exchange any Series 2019A Bonds on the Record Date.

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STATE OF FLORIDA
STATISTICAL, DEMOGRAPHIC
AND
FINANCIAL INFORMATION

The information contained in this Appendix is intended to provide an overview of the organization of the State's government, as well as general economic, financial and demographic data which might be of interest in connection with the foregoing Official Statement. All information contained herein has been obtained from sources believed to be accurate and reliable. Estimates of future results are statements of opinion based on the most recent information available, which is believed to be accurate. Such estimates are subject to risks and uncertainties which may cause actual results to differ materially from those set forth herein.

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STATE OF FLORIDA

GENERAL HISTORY AND GEOGRAPHY

Juan Ponce de Leon made the first recorded landing in Florida in 1513, and subsequently claimed the territory for Spain. The Spaniards founded the first permanent settlement, St. Augustine, in 1565. Florida was acquired by the United States from Spain in 1821, became a territory of the United States in 1822, and was admitted to statehood in 1845 as the 27th state. The State capital is the City of Tallahassee.

Florida is the 26th largest state with land area of 54,252 square miles and a water area of 4,308 square miles, with tidal shoreline in excess of 2,200 miles.

Florida has 67 counties and approximately 405 municipalities.

STATE GOVERNMENT

Florida's governmental powers are divided among the executive, legislative and judicial branches.

Executive Branch

In 1998, voters approved amendments to the State Constitution which restructured the State Cabinet. Since adoption of the amendments, the State legislature has adopted several measures to implement the constitutional changes and to otherwise reorganize the executive branch of the State government.

The supreme executive power is vested in the Governor. The Lieutenant Governor acts as Governor upon a vacancy in the office or incapacity of the Governor. The executive branch consists of the Governor and Cabinet, which is comprised of the Attorney General, the Chief Financial Officer, and the Commissioner of Agriculture, each of whom is elected for four years. All executive functions are allotted among not more than 25 departments under the direct supervision of the Governor, Lt. Governor, Governor and Cabinet, or a Cabinet Member. The State Constitution limits cabinet members to eight consecutive years in office. A Governor who has served for more than 6 years in two consecutive terms may not be re-elected for the succeeding term.

Legislative Branch

The legislative power of the State is vested in a bicameral legislature, consisting of a senate and a house of representatives. There are 40 senatorial districts and 120 representative districts within the State. Senators are elected for four-year terms and representatives for two-year terms. The State Constitution also limits legislators to eight consecutive years in office.

Regular sessions of the legislature convene on the first Tuesday after the first Monday in March of each odd-numbered year, and on the first Tuesday after the first Monday in March, or such other date as may be fixed by law, of each even-numbered year, and shall not exceed 60 days. Special sessions may be called by the Governor or by joint proclamation of the President of the Senate and the Speaker of the House of Representatives.

Judicial Branch

The judicial power is vested in a supreme court, 5 district courts of appeal, 20 circuit courts and 67 county courts. As a result of a constitutional amendment adopted in 1998, as of July 1, 2004 the legislature began funding certain costs of the judicial system previously borne by the counties.

Services Provided by State Government

The State provides a wide range of services to its residents and to its local government units. The education system is the most

extensive service provided by the State. On November 5, 2002, voters approved constitutional amendments requiring class size reductions and providing for a free, voluntary pre-kindergarten program for 4-year-olds.

Over half of the State's general revenue appropriations are for education. All tax supported schools, from kindergarten through postsecondary, constitute a single, unified system of public education under the State Board of Education. Each of Florida's 67 counties comprises a single school district operating under an elected district school board. In addition, there are 49 area vocational-technical centers administered by the local school boards. The State's 28 Florida College System institutions (formerly community colleges) and twelve State universities are operated by local boards of trustees, under the oversight of the State Board of Education.

Government services are generally organized along functional or program lines into departments, which constitute the principal administrative units within the executive branch. Listed below are the departments and a brief summary of their respective responsibilities.

Agency for Health Care Administration is the State's chief health policy and planning entity, and oversees the health care industry in the State.

Department of Agriculture and Consumer Services inspects food and other consumer products to assure public safety, and assists in producing and promoting agricultural products as well as conserving agricultural resources. It also protects consumers against unfair and deceptive business practices and licenses private security, investigative and repossession services.

Department of Business and Professional Regulation ensures that regulated industries and certain non-medical professionals meet prescribed standards of education, competency and practice. It also administers the State's child and farm labor laws and oversees workplace regulation and enforcement.

Department of Children and Families provides family and health services to promote self sufficiency. The department addresses neglect, abuse or exploitation of children and adults unable to protect themselves, and provides services to preserve families, prevent inappropriate institutional care and improve quality of life for people with mental illnesses. The *Agency for Persons With Disabilities*, an independent entity housed within the department, is responsible for providing services to developmentally disabled persons.

Department of Citrus exercises its powers to stabilize and protect the citrus industry of the State.

Department of Corrections is responsible for the incarceration, supervision and rehabilitation of criminal offenders. The *Florida Corrections Commission* monitors the State's correctional system and makes correctional policy recommendations.

Department of Economic Opportunity oversees and coordinates economic development, housing, growth management, and community development programs, and unemployment compensation. The department was created by Chapter 2011-142, L.O.F. The department is required to develop a statewide five-year strategic plan to address the promotion of business formation, expansion, recruitment, and retention in order to create jobs for all regions of the state. The department includes the former Office of Tourism, Trade, and Economic Development as well as portions of the former Department of Community Affairs (DCA) and the former Agency for Workforce Innovation (AWI), and the Ready to Work Program from the Department of Education. Remaining portions of DCA and AWI were transferred to several other existing state agencies.

Department of Education, under the direction of the State Board of Education, implements education policy and oversees Florida's education system through curriculum development, student assessment, teacher standards and certification, financial assistance, instructional support, community services, and workforce development and vocational rehabilitation programs. It also participates in oversight of higher education by providing support for the State's Florida College System institutions (formerly community colleges) and the State University System.

Department of Elderly Affairs (also, Elder Affairs) administers services to assist the elderly in maintaining independence and quality of life, and to support their families and caregivers. The department also develops policy recommendations for long-term care.

Department of Environmental Protection implements programs to protect against air and water pollution, ensure domestic water supplies, and coordinate the State's stormwater program. This department also oversees Florida's 160 State parks and other outdoor recreational facilities.

Department of Financial Services, under the Chief Financial Officer, administers the State treasury and oversees accounting and auditing of State agencies. It also administers the State's risk management and fire marshal offices, regulates insurance agents and investigates insurance fraud, and participates in administration of the workers compensation system. *The Financial Services Commission*, an independent agency housed within the Department but consisting of the Governor and Cabinet, regulates securities transactions, financial institutions and insurers operating in the State.

Department of Health oversees a State health plan, as well as a wide range of State and community efforts to prevent diseases and disabilities. The department monitors disease trends, provides health care and early intervention services, gives medical direction for child protection and sexual abuse treatment, promotes innovative and cost effective health care delivery systems, and serves as statewide repository of health data.

Department of Highway Safety and Motor Vehicles promotes safe driving through law enforcement, public education, titling and registering motor vehicles and vessels, licensing drivers, and regulating vehicle exhaust.

Department of Juvenile Justice coordinates the State's programs for juvenile offenders including prevention, diversion, residential and

non-residential commitment, delinquency institutions, training, reentry and aftercare.

Department of Law Enforcement conducts criminal investigations, provides criminal analysis laboratories, offers criminal justice training, and compiles statistics and maintains records of criminal activities.

Department of Legal Affairs represents the State in civil lawsuits and in criminal appeals. It also issues formal advisory opinions and is the chief enforcement agency for antitrust, consumer protection, and civil racketeering laws.

Department of the Lottery manages Florida's state lottery as a self-supporting, revenue producing department designed to generate additional funding for public education.

Department of Management Services is responsible for various administrative functions of State government, including facilities management, information technology, administrative hearings, retirement, and state group insurance programs.

Department of Military Affairs implements the National Defense Act as it applies to Florida, and administers the Florida National Guard with the Governor as Commander in Chief.

Department of Revenue administers the collection, enforcement and auditing of taxes, manages tax information systems, provides taxpayer assistance, and administers the federal child support enforcement program in the State.

Department of State oversees the elections process, corporate records, Florida's international relations, cultural entities, libraries and historic preservation.

Department of Transportation is charged with providing a safe, interconnected statewide transportation system. Its responsibilities include planning and implementing transportation policies, designing and constructing facilities, and administering motor carrier compliance and toll operations.

Department of Veterans' Affairs assists military veterans and their dependents in securing benefits to which they are entitled under federal or State law by virtue of their military service.

The Public Employees Relations Commission is a neutral adjudicatory body which resolves public sector labor disputes, career service appeals, veteran's preference appeals, drug testing cases, certain age discrimination cases, and whistle blower appeals.

The Public Service Commission, an arm of the legislature, regulates the operation of electric utilities, telecommunications and telephone companies, and water or wastewater utilities within the State.

The State is divided into five *water management districts* to provide water resource planning and development.

In addition to statutorily created departments and commissions, there are several constitutional boards responsible for governmental functions.

A 17-member *Board of Governors* is responsible for managing the State University System. The Board consists of 14 members appointed by the governor, plus the commissioner of education, a faculty representative and a student representative.

Fish and Wildlife Conservation Commission, comprised of seven members appointed by the Governor, exercises the State's regulatory and executive powers with respect to wild animal life, fresh water aquatic life, and marine life.

Government Efficiency Task Force, comprised of members of the public and private sectors, develops recommendations to improve government operations and reduce costs, beginning in 2007 and each fourth year thereafter.

Florida Commission on Ethics enforces the State's code of ethics for public employees and officers not under the jurisdiction of the Judicial Qualification Commission.

Joint Legislative Budget Commission, composed of an equal number of members of the respective houses of the legislature, develops the State's long-range financial outlook and reviews certain proposed budget amendments.

Judicial Qualification Commission investigates and makes recommendations to the Supreme Court with respect to action against any justice or judge whose conduct may warrant disciplinary measures.

Florida Commission on Offender Review is made up of three members appointed by the Governor. It is responsible for determining which prisoners will be granted parole and the terms of conditional release, whether a person has violated parole, and for reporting on persons under consideration for clemency.

Taxation and Budget Reform Commission, established in 2007 and each 20th year thereafter to examine the State's budgetary process, revenue needs and tax policy, to determine funding methods favored by citizens, and to recommend changes.

State Board of Administration, comprised of the Governor, Attorney General and Chief Financial Officer, is the long-term investment body for the State. It also serves as fiscal agent or trustee with respect to bonds issued by the State or its agencies, and manages investment of Florida's retirement system monies.

State Board of Education is the chief policy making and coordinating body of public education and vocational rehabilitation in Florida. It consists of seven members appointed by the Governor.

DEMOGRAPHIC & ECONOMIC INFORMATION

Population

Florida ranks as the third most populous state, with an estimated population of 20.8 million as of April 1, 2018. This represents a 1.7% increase from April 1, 2017.

While the State's population grew by 30.0% between 2000 and 2018, annual population growth has slowed considerably in recent years. Florida's average annual population growth rate was 1.7% from 2000 to 2010, which exceeded the nation's average annual population growth rate of 0.9% over the same period. However, Florida's average annual population growth rate decreased to 0.8% between 2011 and 2013, which was on pace with the U.S. average annual growth rate of 0.8% for the same time period. Beginning in 2015 Florida's average annual population growth rate rebounded to 1.58% or higher while the U.S. average annual growth rate remained at 0.74% or lower for the same time period. Typically there are two drivers of population growth – natural increases (births minus deaths) and net migration (people moving into the state minus

people moving out of the State). Historically, Florida's population growth has been driven by positive net migration; however, net migration fell to record low levels during much of 2008 and into 2009, during which period natural increase exceeded net migration. Net migration returned as a decisive factor beginning in 2016 as Florida's population continues to increase.

The age distribution of Florida's population differs from that of the nation because Florida has a somewhat larger elderly population and a slightly smaller working age population than the nation. Florida's 2010 population aged 65 or older was 17.3% of the State's population and is projected to increase to 20.4% by 2020. Whereas the nation's population aged 65 or older in 2010 was approximately 13% and is expected to increase to 16.9% by 2020. Florida's 2010 working age population (18-64) was 61.4% of total population and is expected to decline to 59.3% in 2020, and by comparison, the working age population (18-64) in the US in 2010 was 62.9% of total population currently and projected to increase to 61%.

Population Change Florida and U.S., 1990 - 2030 (April 1 census day figures)*

Year	Florida		U. S.	
	(in thousands)	% change	(in thousands)	% change
1990	12,938	32.7%	248,710	9.8%
2000	15,983	23.5	281,425	13.2
2010	18,801	17.6	308,746	9.7
2020 (projected)	21,547	14.6	332,639	7.7
2030 (projected)	24,409	13.2	355,101	6.7

Source: Office of Economic and Demographic Research, The Florida Legislature (July 2019) and U.S. Census Bureau.

*U.S. projected populations as of July 1 of each year.

Florida Population Age Trends, 2010-2030

Age	2010		2020		2030	
	Population	% of total	Population	% of total	Population	% of total
0-4	1,073,506	5.7%	1,190,749	5.5%	1,337,941	5.5%
5 to 17	2,928,585	15.6%	3,167,969	14.7%	3,520,831	14.5%
18-24	1,739,657	9.3%	1,847,086	8.6%	2,022,859	8.3%
25-44	4,720,799	25.1%	5,349,271	24.8%	6,013,970	24.7%
45-64	5,079,161	27.0%	5,571,633	25.9%	5,542,982	22.7%
65+	3,259,602	17.3%	4,399,839	20.4%	5,918,420	24.3%
Total	18,801,310		21,526,547		24,357,003	

Source: Office of Economic and Demographic Research, The Florida Legislature (June 2018).

Florida's Gross Domestic Product

Florida's Gross Domestic Product ("GDP") represents the value of goods and services produced by the State, and serves as a broad measure of the State's economy. According to the U.S. Bureau of Economic Analysis (BEA), the State's GDP for 2018 is estimated at \$918 billion, which is approximately 4% higher than 2017 GDP of \$883 billion.

accounted for 87% of the State's 2018 GDP and government accounted for the remaining 13%. Real estate was the largest single industry, accounting for 16% of Florida's 2018 GDP.

The following table compares the components of the State's GDP over the most recent six-year period available.

Florida's GDP has increased 17.1% over the past five years from \$784 billion in 2013 to \$918 billion in 2018. Private industry

Florida's Gross Domestic Product by Major Industry 2013 and 2018

(millions of chained 2012 dollars)¹

Industry	2013	% of Total	2018	% of Total
Agriculture, forestry, fishing and hunting	\$6,229	0.8%	\$7,064	0.8%
Mining	1,855	0.2	1,619	0.2
Utilities	15,833	2.0	15,428	1.7
Construction	26,550	3.4	42,552	4.6
Manufacturing	40,074	5.1	50,019	5.4
Wholesale trade	56,974	7.3	68,320	7.4
Retail trade	59,451	7.6	72,583	7.9
Transportation and warehousing,	25,565	3.3	29,328	3.2
Information	34,892	4.4	49,250	5.4
Finance and insurance	43,528	5.6	47,783	5.2
Real estate and rental and leasing	128,404	16.4	147,609	16.1
Professional, scientific, and technical services	55,905	7.1	69,778	7.6
Management of companies and enterprises	12,636	1.6	16,412	1.8
Administrative and waste management services	30,585	3.9	38,048	4.1
Educational services	9,234	1.2	9,145	1.0
Health care and social assistance	69,144	8.8	81,187	8.8
Arts, entertainment and recreation	13,255	1.7	14,473	1.6
Accommodation and food services	34,655	4.4	37,947	4.1
Other services, except government	20,902	2.7	22,578	2.5
Government	98,512	12.6	97,299	10.6
Total ²	\$784,182		\$918,442	

Source: U.S. Department of Commerce, Bureau of Economic Analysis (July 2019).

¹ A measure of real output and prices using 2012 as the base year and applying annual - weighted indexes to allow for changes in relative prices and associated purchasing patterns over time, as developed by the Bureau of Economic Analysis.

² May not add, due to chaining formula and rounding.

Tourism is not treated as a separate industry sector, but remains an important aspect of the Florida economy. Its financial impact is reflected in a broad range of market sectors, such as transportation, communications, retail trade and services, and in State tax revenues generated by business activities which cater to visitors, such as hotels, restaurants, admissions and gift shops. According to *Visit Florida*, the direct support organization for the Florida Commission on Tourism, approximately 126.9 million people visited the State in 2018, a 7.2% increase over the final 2017 total. A majority of the tourism-related industries are in the leisure and hospitality industry sector of the Florida economy. The leisure and hospitality industry has a significant impact on Florida's Gross Domestic Product (GPD) and total employment within the state. According to the BEA, the leisure and hospitality industry was responsible for approximately 6% of Florida's GDP in 2018. Further, BEA estimates that Florida's leisure and hospitality industry employed approximately 1.4 million people in Florida in 2017, which represents approximately 12% of all non-farm jobs in Florida. According to the Florida Department of Business and Professional Regulation, as of July 1, 2019, 55,640 food service establishments were licensed with seating capacity of 4,192,308, and 47,337 lodging establishments were licensed with 1,777,067 total units. According to the Florida Department of Environmental Protection, visitors to the State's public parks and recreation areas totaled 28.1 million for Fiscal Year 2018, a 14.4% decrease from the prior year, which is attributable to closures caused by Hurricane Irma.

Transportation of goods and passengers is facilitated by Florida's integrated transportation system. According to the Florida Department of Transportation, the State has approximately 122,848 miles of public roads, 2,743 miles of railroad track, AMTRAK passenger train service, 15 deep water seaports, and 31 fixed route urban transit systems. According to the Federal Aviation Administration (FAA), there are 881 aviation facilities, of which 131 are available for public use, 21 provide scheduled commercial service and 15 provide international service. Based on calendar year 2017 FAA enplanements numbers, five Florida airports were among the top 50 in the U.S.

In 2018, agriculture, forestry and fishing constituted only about 0.8% of GDP. However, according to the U.S. Department of Agriculture, in 2017, the State ranked 1st in production of oranges, squash, sugar cane, grapefruit, tomatoes, snap beans and cucumbers and ranked 2nd for production of bell peppers, strawberries, watermelon, cabbage and corn. In 2017, Florida accounted for more than half of the nation's agricultural value of production for grapefruit and oranges.

Construction activity, which constituted approximately 4.6% of Florida's 2018 GDP, is another factor to consider in analyzing the State's economy. The following table shows housing starts and construction values from 2008- 2018.

Florida Housing Starts and Construction Value: 2008-2018¹

Year	Housing Starts (thousands)		Construction Value (millions of current dollars)			
	Single Family	Multi-Family	Single Family	Multi-Family	Non-Residential	Total
2008	34.5	25.4	\$9,110.1	\$3,015.8	\$20,268.5	\$32,394.4
2009	24.6	7.7	6,513.0	943.7	17,590.7	25,047.4
2010	29.0	10.2	7,707.9	1,124.4	15,871.7	24,704.1
2011	29.3	12.3	8,180.6	1,486.1	13,139.9	22,806.7
2012	40.0	20.6	11,806.2	2,693.8	14,186.4	28,686.4
2013	53.4	29.6	16,923.0	3,805.7	12,892.3	33,621.1
2014	53.5	39.4	17,212.8	6,914.4	15,891.7	40,018.9
2015	64.5	49.8	21,406.7	8,061.3	22,206.1	51,674.1
2016	71.1	52.4	22,721.8	10,083.8	23,732.8	56,538.4
2017	79.8	50.8	24,980.4	7,543.0	28,700.8	61,224.2
2018	90.9	53.8	28,081.6	8,755.4	25,704.2	62,541.2

Source: Office of Economic and Demographic Research, The Florida Legislature (July 2019)

¹ Data is subject to revision on a monthly basis for up to five years.

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Employment

The following tables provide employment information for Florida and the U.S. As shown below, total employment in Florida increased from 9.5 million in Fiscal Year 2017 to more than 10.7 million in Fiscal Year 2018. The unemployment rate decreased for an eighth consecutive year to 3.9% in Fiscal Year 2018. Florida's unemployment rate continues to trend in line with the nation's unemployment rate.

The total number of non-agricultural jobs in Florida has increased 15.7% since 2012 to 8.6 million in 2017. At the same time, total U.S. non-agricultural jobs have increased 9.3% since 2012 to 146.6 million in 2017.

Unemployment Rate, Florida vs. U.S. Fiscal Years 2008-2018

Fiscal Year	Total Civilian Labor Force (in thousands)		Total Employment (in thousands)		Annual Average Unemployment Rate (percent)	
	Florida	U.S.	Florida	U.S.	Florida	U.S.
	2007-08	9,220.9	153,700.0	8,790.2	146,100.0	4.7%
2008-09	9,183.0	154,600.0	8,420.6	142,800.0	8.3	7.6
2009-10	9,159.4	153,900.0	8,143.6	138,900.0	11.1	9.7
2010-11	9,195.1	153,600.0	8,186.6	139,400.0	11.0	9.3
2011-12	9,319.9	154,300.0	8,441.0	141,200.0	9.4	8.5
2012-13	9,409.8	155,300.0	8,670.6	143,200.0	7.9	7.8
2013-14	9,497.9	155,500.0	8,869.7	145,000.0	6.6	6.8
2014-15	9,597.0	156,600.0	9,046.0	147,700.0	5.7	5.7
2015-16	9,729.1	158,000.0	9,243.8	150,100.0	5.0	5.0
2016-17	9,967.3	159,800.0	9,492.5	152,400.0	4.8	4.7
2017-18	10,161.7	161,100.0	9,763.3	154,500.0	3.9	4.1

Source: Office of Economic and Demographic Research, (November 2018).

Composition of Nonagricultural Employment Florida and the Nation 2012 and 2017 (thousands)

	2012				2017			
	Florida		United States		Florida		United States	
	# of Jobs	% of Total	# of Jobs	% of Total	# of Jobs	% of Total	# of Jobs	% of Total
Mining and Logging	5.6	0.1	848.0	0.6	5.7	0.1	678.0	0.5
Construction	341.5	4.6	5,646.0	4.2	504.5	5.9	6,955.0	4.7
Manufacturing	316.8	4.3	11,927.0	8.9	363.6	4.2	12,444.0	8.5
Trade, transportation, and utilities	1,537.1	20.8	-	-	1,742.7	20.3	-	-
Transportation & Warehousing	-	-	4,415.8	3.3	-	-	5,166.2	3.5
Utilities	-	-	552.8	0.4	-	-	554.8	0.4
Wholesale Trade	-	-	5,666.6	4.2	-	-	5,904.0	4.0
Retail Trade	-	-	14,840.8	11.1	-	-	15,869.3	10.8
Information	133.4	1.8	2,676.0	2.0	138.1	1.6	2,795.0	1.9
Financial Activities	497.5	6.7	7,784.0	5.8	561.9	6.6	8,455.0	5.8
Professional & Business Services	1,067.5	14.4	17,932.0	13.4	1,321.9	15.4	20,467.0	14.0
Education & Health Services	1,109.9	15.0	20,769.0	15.5	1,272.7	14.9	23,186.0	15.8
Leisure & Hospitality Services	997.7	13.5	13,768.0	10.3	1,201.4	14.0	16,052.0	11.0
Other Services	314.4	4.3	5,430.0	4.1	347.8	4.1	5,776.0	3.9
Government	<u>1,078.6</u>	14.6	<u>21,920.0</u>	16.3	<u>1,106.6</u>	12.9	<u>22,322.0</u>	15.2
Total Non-farm	7,400.1		134,175.0		8,566.8		146,624.0	

Source: US Department of Commerce, Bureau of Economic Analysis (April 2018).

Income

Historically, Florida's total personal income has grown at rates similar to those of the U.S. and the other southeastern states. From 2009 to 2018, Florida's total personal income grew by 54% and per capita income increased approximately 35%. For the Nation and the Southeast, total personal income increased by 46% and 44%, respectively, while per capita income grew 37% and 32%, respectively, over the same time period.

Florida per capita income remains above the Southeast region, but below the Nation. The following table shows total and per capita personal income for the U.S., the Southeast, and Florida for the past ten calendar years.

The table on the following page shows Florida personal income and earnings by major source for calendar years 2013 and 2018. Total Income in Florida has increased approximately 32% over the five year time period. Increases and decreases in income varied across industries, with mining and real estate realizing the largest percentage increases.

**Total and Per Capita Personal Income
U.S., Southeast and Florida**

Year	Total Personal Income (In millions of Current Dollars)						Per Capita Personal Income (In Current Dollars)					
	U.S.	% Change	S.E.	% Change	Florida	% Change	U.S.	% Change	S.E.	% Change	Florida	% Change
2009	\$12,051,307	n/a	\$2,753,800	n/a	\$682,320	n/a	\$39,284	n/a	\$35,389	n/a	\$36,580	n/a
2010	12,541,995	4.1%	2,866,027	4.1%	725,801	6.4%	40,546	3.2%	36,477	3.1%	38,513	5.3%
2011	13,315,478	6.2	3,020,755	5.4	766,186	5.6	42,735	5.4	38,122	4.5	40,128	4.2
2012	13,998,383	5.1	3,151,613	4.3	791,919	3.4	44,599	4.4	39,432	3.4	40,976	2.1
2013	14,175,503	1.3	3,164,660	0.4	794,797	0.4	44,851	0.6	39,287	(0.4)	40,627	(0.9)
2014	14,983,140	5.7	3,350,203	5.9	858,499	8.0	47,060	4.9	41,234	5.0	43,227	6.4
2015	15,711,634	4.9	3,526,433	5.3	919,227	7.1	48,985	4.1	42,986	4.2	45,452	5.1
2016	16,115,630	2.6	3,626,161	2.8	953,261	3.7	49,883	1.8	43,743	1.8	46,208	1.7
2017	16,820,250	4.4	3,783,717	4.3	1,000,624	5.0	51,731	3.7	45,224	3.4	47,701	3.2
2018	17,572,929	4.5	3,952,330	4.5	1,052,550	5.2	53,712	3.8	46,830	3.6	49,417	3.6

Source: U.S. Department of Commerce, Bureau of Economic Analysis (March 2019).

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Florida Personal Income and Earnings by Major Source: 2013 vs. 2018
(thousands of current dollars)

	<u>2013</u>	<u>% Total</u>	<u>2018</u>	<u>% Total</u>
Wages and Salaries/Earnings:				
Private:				
Forestry, fishing and other	\$1,666,493	0.2%	\$1,818,969	0.2%
Mining	86,749	0.0%	549,008	0.0%
Utilities	3,061,349	0.3%	3,716,234	0.3%
Construction	22,853,790	2.5%	45,314,666	3.7%
Manufacturing	23,384,739	2.5%	30,160,016	2.5%
Wholesale Trade	27,603,011	3.0%	33,971,082	2.8%
Retail Trade	37,692,325	4.1%	46,872,816	3.9%
Transportation & Warehousing	17,738,287	1.9%	23,378,103	1.9%
Information	15,060,625	1.6%	17,403,707	1.4%
Finance and insurance	33,318,835	3.6%	44,864,402	3.7%
Real estate and rental and leasing	7,490,929	0.8%	15,566,591	1.3%
Professional and technical services	46,345,258	5.0%	62,855,943	5.2%
Management of companies and enterprises	10,573,345	1.1%	14,171,128	1.2%
Administrative and waste services	27,479,817	3.0%	37,400,783	3.1%
Educational services	7,775,583	0.8%	8,954,135	0.7%
Health care and social assistance	62,899,500	6.8%	78,866,540	6.5%
Arts, entertainment and recreation	9,610,805	1.0%	11,869,718	1.0%
Accommodation and food services	22,480,051	2.4%	28,078,261	2.3%
Other services, except public administration	<u>22,480,051</u>	<u>2.4%</u>	<u>28,078,261</u>	<u>2.3%</u>
Total Private	400,910,157	43.6%	537,514,535	44.4%
Government & government enterprises	<u>79,154,171</u>	<u>8.6%</u>	<u>88,311,850</u>	<u>7.3%</u>
Total Non Farm Earnings:	480,064,328	52.2%	625,826,385	51.7%
Farm Earnings:	2,836,078	0.3%	2,310,820	0.2%
Total Wages & Salaries Earnings:	482,900,406	52.5%	628,137,205	51.9%
Other Income:				
plus: Dividends, Interest & Rent	204,649,895	22.3%	285,971,314	23.6%
plus: Personal current transfer receipts	160,920,491	17.5%	207,872,196	17.2%
plus: Adjustment for residence	3,051,652	0.3%	3,624,976	0.3%
Less: Contributions for social insurance	<u>(56,725,464)</u>	<u>(6.2)%</u>	<u>(73,055,537)</u>	<u>(6.0)%</u>
Total Other Income:	311,896,574	33.9%	424,412,949	35.0%
Total Personal Income and Earnings:	794,796,980	86.4%	1,052,550,154	86.9%
Other Earnings:				
Supplements to wages and salaries	80,385,943	8.7%	96,093,264	7.9%
Proprietors' income:	<u>44,298,248</u>	<u>4.8%</u>	<u>62,631,322</u>	<u>5.2%</u>
Total Other Earnings:	124,684,191	13.6%	158,724,586	13.1%
TOTAL INCOME AND EARNINGS:	\$919,481,171	100.0%	\$1,211,274,740	100.0%

Source: U.S. Department of Commerce, Bureau of Economic Analysis (March 2019).

International Trade

Florida's location lends itself to international trade and travel. Florida was the 8th largest exporter in the nation in 2017. The State's international merchandise trade (imports and exports) totaled \$147.7 billion in 2017, an increase of 3.6% over 2016. Between 2016 and 2017, Florida's merchandise exports grew by 3.5% and imports grew by 3.7%. During the same period, the nation's exports and imports decreased by 3.3% and 2.6%, respectively.

The State's top five exports for 2017 were aircraft, telecommunications equipment, vehicles computers and gold. The top imports were vehicles, gold, repairs and returns, aircraft and telecommunications equipment. Florida's top trading partners for 2017 were Brazil, China, Chile, Japan and Columbia. (Source: Enterprise Florida, June 2017)

Florida's International Trade: 2008-2017 (billions of U.S. dollars)

Year	Exports	% Change	Imports	% Change
2008	\$73,022	23.9%	\$57,525	2.9%
2009	59,884	(18.0)	43,107	(25.1)
2010	73,064	22.0	53,164	23.3
2011	86,753	18.7	62,413	17.4
2012	90,360	4.2	71,833	15.1
2013	85,460	(5.4)	73,119	1.8
2014	81,776	(4.3)	71,228	(2.6)
2015	73,305	(10.4)	73,797	3.6
2016	67,834	(7.5)	74,723	1.3
2017	70,200	3.5	77,489	3.7

Source: Enterprise Florida (June 2017).

Primary Sources of Sales Tax

The following tables illustrate taxable sales by category of expenditure over the past ten years, and compare the top twenty-five types of businesses generating sales tax revenues in Fiscal Years 2013 and 2018.

Florida Taxable Sales and Sales Tax Liability by Category Fiscal Years ended June 30 (millions of current dollars)

Fiscal Year	Consumer Non-durables				Consumer Durables				Building Investment		Business Investment	
	Recreation/Tourism		Other		Autos & Accessories		Other		Sales	Taxes	Sales	Taxes
2010	\$60,407	\$3,611	\$91,404	\$5,515	\$43,641	\$2,609	\$18,299	\$1,094	\$14,845	\$888	\$55,154	\$3,234
2011	63,818	3,816	94,741	5,724	45,889	2,744	19,271	1,152	15,129	905	56,836	3,330
2012	68,168	4,076	98,880	5,974	48,803	2,918	20,431	1,222	15,845	947	58,543	3,430
2013	72,029	4,307	102,711	6,206	53,922	3,225	21,711	1,298	17,893	1,070	61,397	3,597
2014	77,043	4,607	107,830	6,515	59,673	3,568	23,194	1,387	20,061	1,200	65,615	3,844
2015	83,618	5,000	113,922	6,883	65,391	3,910	25,044	1,498	22,038	1,318	70,668	4,140
2016	88,620	5,299	115,902	7,003	70,461	4,213	26,358	1,576	23,945	1,432	76,227	4,466
2017	92,457	5,529	120,839	7,301	73,844	4,416	26,632	1,592	25,494	1,524	81,000	4,746
2018	98,448	5,887	125,786	7,600	76,471	4,573	27,791	1,662	27,373	1,637	87,193	5,108
2019	103,710	6,201	131,229	7,929	78,974	4,722	27,893	1,668	29,443	1,761	95,404	5,590

Source: Office of Economic and Demographic Research (October 2019)

**State Sales Tax Collections by Top 25 Business Types
Fiscal Years Ended June 30, 2013 vs. 2018 ^{1,3}**

<u>Type of Business</u>	<u>2013</u>	<u>2018</u>
Automotive Dealers (Sales & Lease), Tag Agencies & Tax Collectors	\$2,661,441,736	\$3,848,603,999
General Miscellaneous Merchandise Stores	2,782,881,348	3,544,027,254
Restaurants, Lunchrooms, Catering Services	1,982,202,712	2,616,312,370
Leased or Rental of Commercial Real Property	1,364,982,712	1,758,446,263
Hotel/Motel Accommodations, Rooming Houses, Camp & Other Lodging Places	1,102,348,927	1,620,124,809
Food & Beverage Stores	990,474,973	1,282,106,603
Lumber and Other Building Materials Dealers	781,708,283	1,235,765,995
Apparel & Accessory Stores	843,859,948	980,921,484
Admissions, Amusement & Recreation Services	704,480,185	979,113,497
Wholesale Dealers	584,108,079	965,499,235
Manufacturing	463,289,008	686,506,719
Radio, Television, Consumer Electronics, Computers, Music Stores	554,637,139	650,078,102
Home Furniture, Furnishings & Equipment	415,963,582	575,830,636
Utilities, Electric, Gas, Water, Sewer	475,816,445	551,771,135
Rental of Tangible Personal Property	257,002,768	388,336,335
Automotive Accessories & Parts	265,426,737	360,078,839
Automobile Repair & Services	253,318,622	326,508,759
Communications, Telephone, Telegraph, Radio & Television Stations ²	173,039,487	266,102,619
Building Contractors	144,482,458	228,171,961
Paint, Wallpaper & Hardware Dealers	150,247,571	211,608,059
Taxable Services (per Chapter 212, F.S.)	156,884,335	194,337,995
Insurance, Banking, Savings and Loans, Research Information Services, Income Tax Reports	119,894,052	187,381,124
Drinking Places (Alcoholic beverages served on premises)	144,039,133	160,777,209
Repair of Tangible Personal Property	111,121,973	158,261,320
Boat Dealers	95,609,969	157,247,987

Source: Florida Department of Revenue, Office of Tax Research (December 2018).

¹ Arranged in descending order of collection amounts for Fiscal Year ended June 30, 2018.

² Includes sales and use tax portion of Communications Service Tax.

³ Data is corrected to report taxes collected instead of taxable sales.

STATE FINANCIAL OPERATIONS

Florida law requires that financial operations of the State be maintained through the General Revenue Fund, trust funds, and the Budget Stabilization Fund administered by the Chief Financial Officer. The majority of State tax revenues are deposited in the General Revenue Fund. Trust funds consist of monies which under law or trust agreement are segregated for a specified purpose. State monies are disbursed by the Chief Financial Officer upon warrants or other orders pursuant to appropriations acts. The Governor and Chief Financial Officer are responsible for insuring that sufficient revenues are collected to meet appropriations and that no deficits occur in State funds.

The State Constitution mandates the creation and maintenance of a Budget Stabilization Fund, in an amount not less than 5% nor more than 10% of the last complete fiscal year's net revenue collections for the General Revenue Fund. Monies in the Budget Stabilization Fund may be transferred to the General Revenue Fund to offset a deficit therein or to provide emergency funding, including payment of up to \$38 million with respect to certain uninsured losses to state property. Monies in this fund are constitutionally prohibited from being obligated or otherwise committed for any other purpose. Any withdrawals from the Budget Stabilization Fund must be restored from general revenues in five equal annual installments, commencing in the third fiscal year after the expenditure, unless the legislature establishes a different restoration schedule.

The State Constitution prohibits the Legislature from appropriating nonrecurring general revenue funds for recurring purposes in an amount that exceeds three percent of the total general revenue funds estimated to be available at the time the appropriation is made. The Legislature may override this prohibition by a three-fifths vote of the membership of each house. Nonrecurring general revenue funds are general revenue funds (such as transfers to the general revenue fund from trust funds) that are not expected to be available on an ongoing basis.

The State budget must be kept in balance from current revenues each State fiscal year (July 1-June 30), and the State may not borrow to fund governmental operations. (See "**Budget Shortfalls**" below.) Revenues in the General Revenue Fund which exceed amounts needed to fund appropriations or for transfers to the Budget Stabilization Fund are maintained as "unallocated general revenues."

Budgetary Process

The State's budgetary process is an integrated, continuous system of planning, evaluation and controls. State law requires that, no later than each September 15, the Joint Legislative Budget Commission prepare a long-range State financial outlook. The outlook includes major workloads and revenue estimates and recommends fiscal strategies to assist the legislature in making budget decisions. State agencies are also required to develop goals and objectives consistent with the State long-range planning document.

Individual State agencies prepare and submit appropriation requests to the Office of Planning and Budgeting, Executive Office of the Governor, generally no later than October 15 of the year preceding legislative consideration. The Office of Planning and Budgeting conducts a detailed evaluation of all agency requests, after which it makes budget recommendations to the Governor.

From recommended appropriations and revenue estimates, the Governor submits a recommended budget to the legislature. The House and Senate each adopt their respective versions of the appropriations bill and any differences are worked out by a conference committee composed of both House and Senate members. The conference committee adopts a committee version of the appropriations bill which is then voted on by each member of the House and Senate. After passage of the appropriations bill, the bill is sent to the Governor, who has 7 consecutive days (15 days if the Legislature has adjourned or taken a recess of more than 30 days) after the bill is presented to him to sign or exercise his line item veto power before the bill becomes law.

The State has routinely completed the budget for the next fiscal year prior to the end of the current fiscal year. Only one time in at least the last 60 years was the budget not completed prior to the start of the fiscal year. In 1992, the budget was implemented on the first day of the fiscal year, i.e., July 1. In this instance the payment of all financial obligations and the delivery of services occurred normally.

With almost all of the State's debt paid semi-annually, debt service payments generally occur at intervals which would provide additional time before a payment is due if a budget was not adopted before the start of the fiscal year. Debt service payments due at the beginning of a fiscal year are paid from appropriations of the prior fiscal year.

In the event a budget was not adopted before the beginning of the fiscal year, the Legislature and the Governor could authorize appropriations for debt service even if they did not agree on other appropriations.

Revenue Estimates

State law provides for consensus estimating conferences to develop official economic and demographic data and revenue forecasts for use in planning and budgeting. Each conference develops estimates within its area of expertise by unanimous consent of the conference principals. The four principals of the estimating conference are professional staff of the Governor's Office, Senate, House of Representatives and the Legislature's Office of Economic and Demographic Research. Once an estimating conference is convened, an official estimate does not exist until a new consensus is reached.

Consensus revenue estimating conferences are generally held three times each year to estimate revenue collections for the next fiscal year based on current tax laws and administrative procedures. General State and National economic scenarios are agreed upon by the conference principals. Consensus Estimating Conferences are held in late summer to refresh estimates for the Long Range Financial Outlook (Article III, Section 19(c)1, Florida Constitution), the fall to establish a forecast for the Governor's budget recommendations, and in the spring to determine the revenues available for appropriation during the legislative session. Conferences may reconvene at any time if it is felt that prior recommendations are no longer valid. Conferences are also held during legislative session to determine the fiscal impact of proposed tax law changes, and after each legislative session to review changes in tax legislation and to amend official conference recommendations accordingly.

There are currently ten estimating conferences formally identified in statute: Economic, Demographic, Revenue, Education, Criminal Justice, Social Services, Workforce, Early Learning, Self-Insurance, and Florida Retirement System Actuarial Assumptions.

State Revenue Limitation

The rate of growth in State revenues in a given fiscal year is limited to no more than the average annual growth rate in personal income over the previous five years. Revenues have never exceeded the limitation. Revenues collected in excess of the limitation are to be deposited into the Budget Stabilization Fund unless two-thirds of the members of both houses of the legislature vote to raise the limit. The revenue limit is determined by multiplying the average annual growth rate in personal income over the previous five years by the maximum amount of revenue permitted under the cap for the previous year. State revenues include taxes, licenses, fees, and charges for services imposed by the legislature on individuals, businesses, or agencies outside of State government as well as proceeds from the sale of lottery tickets. State revenues subject to the limitation do not include lottery receipts returned as prizes; balances carried forward from prior years; proceeds from the sale of goods (e.g. land, buildings); funds pledged for debt service on State bonds; State funds used to match federal money for Medicaid (partially exempt); charges imposed on the local governmental level; receipts of the Hurricane Catastrophe Trust Fund; and revenues required to be imposed by amendment to the Constitution after July 1, 1994. The revenue limitation may be adjusted to reflect the transfer of responsibility for funding governmental functions between the State and other levels of government.

In addition, no new state tax or fee shall be imposed by any amendment to the Florida Constitution unless the proposed amendment is approved by not fewer than two-thirds of the voters voting in the election in which such proposed amendment is considered. The phrase "new State tax or fee" shall mean any tax or fee which would produce revenue subject to lump sum or other appropriation by the Legislature, either for the State general revenue fund or any trust fund, which tax or fee was not in effect on November 7, 1994.

Financial Control

After the appropriations bill becomes law, **the Office of Planning and Budgeting prepares monthly status reports comparing actual revenue receipts to the estimates on which appropriations were based.** This constant cash flow monitoring system enables the Governor and the Chief Financial Officer to insure that revenues collected will be sufficient to meet appropriations.

All balances of General Revenue Fund appropriations for operations in each fiscal year (except appropriations for fixed capital outlay) expire on the last day of such fiscal year. Amounts identified by agencies as incurred obligations which have not been disbursed as of June 30 are carried forward, with unused amounts expiring on September 30. Because capital projects are often funded on a multi-year basis, with the full appropriation being made in the first year even though payments are actually made over multiple years, unused appropriations for fixed capital outlay revert on February 1 of the second fiscal year (the third fiscal year if for an educational facility or a construction project of a State university).

Budget Shortfalls

Appropriations are maximum amounts available for expenditure in the current fiscal year and are contingent upon the collection of sufficient revenues. The Governor and the Chief Financial Officer are responsible for ensuring that revenues collected will be sufficient to meet appropriations and that no deficit occurs in any state fund. A determination that a deficit has occurred or will occur can be made by either the Governor or the Chief Financial Officer after consultation with the Revenue Estimating Conference. If the Governor fails to certify a deficit, the Speaker of the House of Representatives and President of the Senate may do so after consultation with the Revenue Estimating Conference. A determination made by the Chief Financial Officer is reported to the Governor, the Speaker of the House and the President of the Senate, and, if neither the Governor nor the House Speaker and Senate President certifies the existence of a deficit within 10 days after the report by the Chief Financial Officer the Chief Financial Officer must then report his or her findings to the Legislative Budget Commission for further action. Within 30 days after determining that a budget shortfall will occur, the Governor is required to develop a plan of action to eliminate the budget shortfall for the Executive Branch and the Chief Justice of the Supreme Court is required to develop a plan of action for the judicial branch.

Budget shortfalls of less than 1.5% of the money appropriated from the General Revenue Fund during a fiscal year are resolved by the Governor for the Executive Branch and by the Chief Justice of the Supreme Court for the Judicial Branch, with the approval of the Legislative Budget Commission, subject to statutory guidelines and directives contained in the appropriations act. The statutory guidelines include a requirement that all branches of government are generally required to accept a proportional budget reduction. The Governor for the Executive Branch and the Chief Justice for the Judicial Branch may reduce appropriations by placing them in mandatory reserve, or withhold appropriations by placing them in budget reserve, in order to prevent deficits or implement legislative directives in the General Appropriations Act.

If the Revenue Estimating Conference projects a shortfall in the General Revenue Fund in excess of 1.5% of the moneys appropriated from the General Revenue Fund during a fiscal year, the shortfall must be resolved by the legislature. Any available State funds may be used in eliminating shortfalls in the General Revenue Fund. Additionally, the legislature may eliminate a shortfall by reducing appropriations.

Evaluation, Accounting and Auditing Procedures

Florida has an integrated general ledger accounting system which provides on-line monitoring of budget commitments by individual agency units. This system prevents agencies from overcommitting available funds.

Each State agency supported by any form of taxation, licenses, fees, imposts, or exactions must file with the Chief Financial Officer financial and other information necessary for preparation of the State's annual financial statements. In addition, each such agency must prepare financial statements showing the financial position and results of agency operations as of June 30 for internal management purposes. The Chief Financial Officer is responsible for preparing the State's combined annual financial report, copies of which are available from the Chief Financial Officer, Division of Accounting and Auditing. The Auditor General conducts annual audits of all officers and agencies in the Executive and Judicial branches. Individual agency audits are made in accordance with generally accepted auditing standards and governmental auditing standards as adopted by the State Board of Accountancy. In addition to the annual financial and compliance audits, performance audits are made to determine the efficiency and effectiveness of agency operations.

Systems and procedures are in place to enable the State and its component units to comply in a timely manner with Governmental Accounting Standards Board Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

REVENUES

Major sources of tax revenues to the General Revenue Fund are the sales and use tax, corporate income tax, intangible personal property tax, beverage tax, and insurance premium tax. Unlike many other jurisdictions, ***the State of Florida does not levy ad valorem taxes on real property or tangible personal property, nor does it impose a personal income tax.***

Sales and Use Tax

The largest single source of tax receipts in Florida is the sales and use tax. It is a uniform tax upon either the sale of tangible personal property at retail or its use irrespective of where it may have been purchased. The sales tax is 6% of the sales price of tangible personal property sold at retail in the State, and the use tax is 6% of the cost price of tangible personal property used or stored for use in this State. In addition, local governments may (by referendum) assess a 0.5% or 1% discretionary sales surtax within their County.

The sales tax is also levied on the following: (1) rental of tangible personal property; (2) rental of transient lodging and non-residential real property; (3) admissions to places of amusement, most sports and recreation events; (4) non-residential utilities (at a 4.35% rate); (5) restaurant meals; (6) cable and non-residential telephone services (at a 6.8% rate-called Communication Services Tax); (7) coin operated amusement machines (at a 4% rate); and (8) mail order sales.

Exemptions include groceries, medicines, hospital rooms and meals, fuels used to produce electricity, electrical energy used in manufacturing, purchases by certain nonprofit institutions, most professional, insurance, and personal service transactions, apartments used as permanent dwellings, the trade-in value of motor vehicles, child car seats, and residential utilities. The Legislature has, from time to time, temporarily waived collection of sales taxes on such items as clothing under certain prices, school supplies, hurricane preparedness items, and energy efficient appliances through sales tax holidays.

Receipts of the ***sales and use tax***, with the exception of the tax on gasoline and special fuels, ***are credited to either the General Revenue Fund, counties and cities, the Ecosystem and Restoration Management Trust Fund, the Public Employees Relations Commission Trust Fund, or may be distributed for the use of sports facilities and to make emergency distributions to qualified Counties.*** Legislation was enacted in 2000 which provides that 2.25% of sales tax receipts are to be deposited in the Revenue Sharing Trust Fund for Counties in lieu of intangible personal property taxes which were so distributed under prior law.

Motor Fuel Tax

The second largest source of State tax receipts is the tax on motor and diesel fuels. However, **these revenues are almost entirely dedicated trust funds** for specific purposes and are not included in the State General Revenue Fund.

Taxes on motor fuels (gasoline) and diesel fuels include several distinct fuel taxes: (1) the State sales tax on motor and diesel fuels, levied at 6.9 cents per gallon; (2) the State excise tax of four cents per gallon of motor and diesel fuel, with proceeds distributed to local governments; (3) the State Comprehensive Enhanced Transportation System (SCETS) tax, which is levied at a rate in each county equal to two-thirds of the sum of the county's local option motor fuel taxes, not to exceed 4 cents per gallon, for motor fuel and 4 cents per gallon for diesel fuel; (4) aviation fuel, at 6.9 cents per gallon; and (5) local option motor fuel taxes, which may range between one cent to 12 cents per gallon.

Most of the proceeds of the sales tax on motor and diesel fuels are deposited into the State Transportation Trust Fund for road maintenance and construction. The proceeds of the State excise tax of four cents per gallon is distributed by formula to local governments. The first two cents (described as the Constitutional Gas Tax) are primarily pledged for each County's debt service requirements, with any remaining balance deposited into the County's transportation trust fund. The remaining two cents of the excise tax (described as the County and Municipal Gas Taxes) are part of the State Revenue Sharing Program. Proceeds from the SCETS tax are, to the maximum extent possible, expended on road projects in the Counties in which the revenues are derived. Local Option Gas Taxes of one to 11 cents per net gallon, and the so-called "ninth cent fuel tax" of one cent per net gallon, of motor and diesel fuel may be levied by Counties, for use by local governments for transportation expenditures. Local Option Gas Tax revenues may be pledged for payment of bonds issued by the Division of Bond Finance on behalf of local governments to fund transportation capital improvements.

Alcoholic Beverage Tax

Florida's alcoholic beverage tax is an excise tax on beer, wine, and liquor. Fifty percent of the revenues collected from the taxes on wine produced by manufacturers in this State from products grown in this State are deposited in the Viticulture Trust Fund. The remainder of revenues are deposited into the General Revenue Fund.

Corporate Income Tax

Florida collects a tax upon the net income of corporations, organizations, associations, and other artificial entities for the privilege of conducting business, deriving income, or existing within the State. This tax is currently levied at a rate 5.5% of net corporate income, less a \$50,000 exemption. Net income is defined as that share of adjusted federal income which is apportioned to Florida.

All business income is apportioned by weighted factors of sales (50%), property (25%), and payroll (25%).

Florida adopted an emergency excise tax to recoup taxes lost through reductions in adjusted federal income resulting from the Accelerated Cost Recovery System under federal tax law. As a result of the 1986 Tax Reform Act, this tax has been repealed on assets placed in service after January 1, 1987.

All receipts of the Corporate Income Tax are credited to the General Revenue Fund.

Documentary Stamp Tax

Deeds and other documents relating to realty are taxed upon execution or recording at 70 cents per \$100 of consideration. Bonds, certificates of indebtedness, promissory notes, wage assignments, and retail charge accounts are taxed upon issuance or renewal at 35 cents per \$100 of face value, or actual value if issued without face value.

At its inception, Documentary Stamp Tax proceeds were credited to the General Revenue Fund. However, over the years a series of statutory amendments have dedicated portions of the proceeds to various trust funds for specific purposes. The 2005 Legislature enacted legislation which dedicates a portion (currently \$541.75 million) of documentary tax collections which otherwise would have gone to the General Revenue Fund, for growth management.

In addition, a measure was adopted, effective July 1, 2007, which limits the dollar amount of distributions to certain funds, subject to adjustment, beginning July 1, 2008, if collections exceed the prior year's receipts.

Documentary Stamp Tax collections are currently distributed as follows:

All Documentary Stamp Taxes are pledged and shall be first made available to pay debt service on Florida Forever Bonds and Everglades Restoration Bonds. Documentary Stamp Taxes not needed to pay debt service on bonds are subject to an 8% general revenue service charge and costs of the Department of Revenue necessary to collect and enforce the tax.

An amount equal to 33% of all Documentary Stamp Taxes collected, less the amounts paid for debt service on Florida Forever Bonds and Everglades Restoration Bonds and the costs of collection and enforcement, shall be deposited into the Land Acquisition Trust Fund.

After providing for the uses described above, the remainder of the Documentary Stamp Taxes are to be distributed as follows:

The lesser of 24.18442% of the remainder or \$541.75 million to the State Transportation Trust Fund;

The lesser of 0.1456% of the remainder or \$3.25 million to the Grants and Donations Trust Fund;

11.24% of the remainder to the State Housing Trust Fund;

- first \$35 million to the State Economic Enhancement and Development Trust Fund;
- 50% of the remainder to the State Housing Trust Fund;
- 50% of the remainder to the Local Government Housing Trust Fund;

12.93% of the remainder to the State Housing Trust Fund;

- first \$40 million to the State Economic Enhancement and Development Trust Fund;
- 12.5% of the remainder to the State Housing Trust Fund;
- 87.5% of the remainder to the Local Government Housing Trust Fund.

The lesser of 0.017% or \$300,000 to the General Inspection Trust Fund; and

The balance of the remainder to the General Revenue Fund.

Intangible Personal Property Tax

The State formerly levied an annual, recurring tax on intangible personal property situated in the State, such as stocks, bonds, notes, governmental leaseholds, and interests in limited partnerships registered with the Securities and Exchange Commission. Obligations issued by the State or local governmental entities in Florida, or by the federal government, were exempt from such taxation. The Legislature abolished the annual, recurring tax as of January 1, 2007, effectively eliminating the tax on intangible personal property held on or after January 2, 2006.

A non-recurring 2 mill tax continues to be levied on mortgages and other obligations secured by liens on Florida realty. The tax is payable upon recording the instrument or within 30 days of creation of the obligation. The tax proceeds are deposited to the General Revenue Fund.

Insurance Premium Tax

The insurance premium tax is a tax on insurance premiums received by insurers. The tax is paid by insurance companies at the following rates: 1.75% on gross premiums minus reinsurance and return premiums; 1% on annuity premiums; 1.6% on self insurers; and 5% on surplus lines premiums and independently procured coverage. Corporation income taxes and emergency excise taxes paid to Florida are credited against premium tax liability, as are certain other taxes. In addition to the premium taxes imposed, a \$2 surcharge is imposed on homeowner's policies, and a \$4 surcharge is imposed on commercial policies issued or renewed on or after May 1, 1993.

Assessments for Police and Firefighter pension funds are distributed to local governments. Fire Marshal assessments, filing fees and \$125,000 annually, adjusted by the lessor of 20 percent or the growth in total retaliatory taxes, are deposited into the Insurance Regulatory Trust Fund. The remainder of the Premium Tax is deposited to the General Revenue Fund. Surcharge collections are deposited to the Emergency Management, Preparedness, and Assistance Trust Fund, administered by the Department of Community Affairs.

Gross Receipts Tax

The Gross Receipts Tax is imposed at a rate of 2.5% of the gross receipts of providers of electricity, natural gas, and telecommunications services. Telecommunications services are subject to a unified Telecommunications Services Tax, a portion of which is collected with the Gross Receipts Tax at revenue-neutral rates.

All Gross Receipts Tax collections are credited to the Public Education Capital Outlay and Debt Service Trust Fund. The potential impact of electric utility deregulation on Gross Receipts Tax collections cannot be determined at this time.

Communications Services Tax

The Communications Services Tax is imposed on retail sales of communications services which originate and terminate in Florida, or originate or terminate in Florida and are billed to a Florida address. Communications services include all forms of telecommunications previously taxed by the Gross Receipts Tax plus cable television and direct-to-home satellite service. The Communications Services Tax replaced certain sales and use taxes and gross receipts taxes, at revenue-neutral rates. Communications services tax receipts are included in sales tax and gross receipts tax collections, as appropriate.

Other State Taxes

To the extent not pre-empted to the federal government, the State levies a one-time excise tax on cigarettes, at rates based on their weight and package quantity, and on other tobacco products at the rate of 25% of the wholesale price. The State also imposes a tax on racing and jai-alai admissions, and on contributions to pari-mutuel pools, or "handle."

Tobacco Litigation Settlement

As a result of settling litigation by the State against the tobacco industry in 1997, Florida expects to receive more than \$11 billion over 25 years. Payments are subject to adjustment for various factors, including inflation and tobacco product sales volume. Proceeds of the settlement are expected to be used for children's health care coverage and other health-related services, to reimburse the State for medical expenses, for improvements in State efforts to reduce sales of tobacco products to minors, and to promote production of reduced risk tobacco products.

A portion of the tobacco settlement revenues have been deposited in the Lawton Chiles Endowment Fund to provide a perpetual source of funding for health and human services for children and elders, and for biomedical research activities. As of September 30, 2017, the market value of the endowment was \$731.9 million.

Lottery

In order to provide additional funding for education, the 1987 Legislature created the Department of the Lottery to operate a State lottery. Revenues generated by the Florida Lottery are used to pay prizes, fund the Educational Enhancement Trust Fund, and pay the administrative costs of operating the Lottery.

FLORIDA FINANCIAL INFORMATION

The following tables present information regarding the State's historical and projected financial resources, as well as budgets by program area and appropriations by department.

Five Year History of Trust Fund and General Revenues
(millions of dollars)

<u>General Revenue Receipts¹</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Sales and Use Tax ²	\$19,707.7	\$21,062.7	\$21,998.0	\$22,987.4	\$24,138.7
Beverage Licenses and Taxes	443.8	451.4	357.7	314.7	289.2
Corporation Income Tax	2,042.5	2,236.3	2,272.1	2,366.4	2,413.0
Documentary Stamp Tax	603.7	756.3	744.1	762.2	867.2
Corporate Filing Fees	298.6	309.8	317.4	352.9	367.0
Tobacco Tax	178.2	181.2	187.5	183.0	182.6
Insurance Premium Tax	675.6	666.9	682.8	708.4	799.6
Indian Gaming	230.3	248.5	207.7	116.0	328.5
Pari-mutuel Fees, Licenses and Taxes	14.8	13.8	12.8	10.8	17.4
Slot Machine Licenses GR	10.5	13.0	11.0	12.0	11.5
Intangible Personal Property Tax	256.1	303.9	338.7	372.9	371.2
Earnings on Investments	75.6	106.5	115.8	131.0	136.1
Auto Title and Lien Fees	65.3	92.0	108.9	116.1	121.6
Oil and Gas Severance Tax	7.0	4.2	1.2	1.1	1.4
Solid Mineral Severance Tax	12.9	10.5	10.7	10.4	10.8
Drivers Licenses and Fees	178.4	147.8	106.0	188.0	217.6
HSMV Misc Fees, Licences & Fines	64.4	61.4	66.8	66.9	72.2
Motor Vehicle and Mobile Home Licenses	451.4	180.6	114.9	118.7	127.2
Article V Fees & Transfers	173.7	151.1	138.8	126.6	104.0
Counties' Medicaid Share GR	296.1	289.6	301.6	301.5	295.3
Miscellaneous Revenue GR ⁵	6.0	6.5	6.9	6.6	7.0
Motor Vehicle Charges	117.7	104.6	2.9	0.0	0.0
Fines/Foreitures/Judgements GR ⁵	24.2	4.0	25.7	34.0	6.6
Other GR ^{4,5}	<u>176.0</u>	<u>171.0</u>	<u>182.1</u>	<u>170.0</u>	<u>225.2</u>
Total GR Collections and Transfers	26,110.6	27,573.7	28,312.0	29,457.7	31,110.7
Plus Service Charges to GR	466.8	500.1	455.2	464.9	472.0
Less Refunds of GR	<u>(379.5)</u>	<u>(392.7)</u>	<u>(441.7)</u>	<u>(328.2)</u>	<u>(364.6)</u>
Net GR Collections and Transfers	26,198.0	27,681.1	28,325.4	29,594.5	31,218.2
<u>Trust Fund Revenues¹</u>					
Major Transportation Revenues:					
Auto Title and Lien Fees	319.9	323.8	329.8	341.7	345.1
Motor Fuel Tax	1,955.3	2,052.0	2,158.5	2,234.7	2,300.6
Motor Vehicle and Mobile Home Licenses	867.2	891.0	928.5	975.6	1,017.9
Motor Vehicle Fees and Charges	<u>250.8</u>	<u>302.0</u>	<u>435.7</u>	<u>438.0</u>	<u>441.4</u>
Subtotal	3,393.1	3,568.8	3,852.4	3,990.0	4,104.9
Workers Insurance Tax:					
Workers Compensation Assessment	82.4	81.6	81.7	82.0	78.9
Workers' Comp. Special Disability	46.6	43.6	45.1	45.6	47.5
Reemployment Assistance Tax	<u>1,937.4</u>	<u>1,541.6</u>	<u>1,074.1</u>	<u>821.2</u>	<u>606.3</u>
Subtotal	2,066.4	1,666.7	1,201.0	948.7	732.7
Conservation and Recreational Lands:					
Documentary Stamp Tax	1,147.3	1,303.1	1,532.8	1,655.5	1,642.8
Solid Mineral Severance Tax	15.5	14.0	13.7	13.0	16.8
Oil and Gas Severance Tax	2.2	0.1	0.1	0.4	0.5
Sales and Use Tax	<u>23.3</u>	<u>22.7</u>	<u>22.5</u>	<u>25.0</u>	<u>27.3</u>
Subtotal	1,188.3	1,340.0	1,569.1	1,693.9	1,687.4
Education - Tuition , Fees and Charges:					
Slot Machine Tax to Education	173.1	182.2	187.3	191.6	191.9
Lottery to Education	1,475.0	1,479.0	1,582.0	1,724.7	1,760.0
Unclaimed Property (State School Trust Fund)	<u>142.3</u>	<u>213.0</u>	<u>175.6</u>	<u>133.9</u>	<u>178.5</u>
Subtotal	1,790.4	1,874.2	1,944.9	2,050.2	2,130.4
Agencies' Administrative Trust Funds:					
Beverage Licenses and Taxes	32.0	31.4	33.1	34.0	29.6
Insurance Premium Tax	53.3	50.6	52.0	51.5	51.1
General Inspection Fees and Licenses	57.6	72.0	58.0	72.2	57.1
Citrus Inspection Fees and Licenses	15.4	14.0	13.0	11.2	8.5
D.F.S. and Treas Fees, Licenses & Taxes	132.6	155.8	157.2	158.6	157.7
Citrus Taxes	31.1	25.0	23.3	6.8	4.6
Hunting and Fishing Licenses	53.5	59.1	57.6	60.1	60.1
Pari-mutuel Fees, Licenses and Taxes	12.3	12.4	13.5	15.3	9.4
Professional Fees and Licenses	78.2	86.5	82.7	98.8	86.8
Drivers' Licenses and Fees	139.4	154.6	145.9	148.6	156.3
HSMV, Misc Fees, Licenses & Fines	33.6	33.6	32.5	33.6	34.5
Slot Machine Licenses and Fees	5.6	3.1	7.3	6.3	6.8
Lottery to Administration	<u>420.1</u>	<u>450.9</u>	<u>555.4</u>	<u>368.9</u>	<u>492.5</u>
Subtotal	1,064.6	1,149.0	1,231.4	1,066.0	1,155.1

(Five Year History of Trust Fund and General Revenues - continued)

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Other Trust Fund Revenues for State Use:					
Tobacco Tax	987.3	1,004.4	1,020.3	1,012.6	983.1
Lottery Prizes	3,482.9	3,664.8	3,938.1	4,075.8	4,462.0
Unclaimed Property DFS Trust (Residual)	241.2	269.4	296.8	296.9	330.5
Tobacco Fines/Forfeitures/Judgements Trust	378.0	367.8	368.8	362.2	339.0
Other Fines/Forfeitures/Judgements Trust	260.5	254.2	205.1	228.6	195.3
Article V Fees	122.2	114.8	109.1	105.9	104.6
Earnings on Investments	104.8	184.3	203.5	228.7	247.5
Miscellaneous Revenues ³	187.4	196.4	237.1	210.6	204.5
Refunds & Reimbursement	1,468.8	1,833.0	1,959.4	2,302.1	2,949.2
Sales, Concessions, Rent & Leases	77.3	136.7	77.2	93.1	102.6
Other Fees, Licenses and Taxes	<u>3,569.2</u>	<u>3,502.6</u>	<u>2,947.2</u>	<u>2,783.9</u>	<u>2,907.9</u>
Subtotal	10,879.6	11,528.3	11,362.6	11,700.4	12,826.2
Total Trust Fund Revenue for State Use	20,382.6	21,126.9	21,161.4	21,449.2	22,636.6
<u>Revenues Shared With Local Governments and School Districts</u>					
Sales and Use Tax	2,396.3	2,554.7	2,692.5	2,793.5	2,927.0
Beverage Licenses and Taxes	15.5	16.0	16.1	16.3	16.8
Documentary Stamp Tax	61.5	61.4	0.0	0.0	0.0
Insurance Premium Tax	173.1	169.7	175.9	172.3	179.6
Indian Gaming	7.0	7.1	7.7	6.3	3.5
Motor Fuel Tax	368.8	381.7	399.3	410.3	416.3
Oil and Gas Severance Tax	1.8	1.2	0.4	0.3	0.4
Solid Mineral Severance Tax	8.1	6.8	9.4	8.7	6.7
Gross Receipts Tax ²	1,005.4	1,152.4	1,157.7	1,111.6	1,153.7
Mtr Vehicle and Mobile Home Licenses	147.1	156.9	165.8	170.8	182.3
Tobacco Taxes	7.0	7.2	7.4	7.3	7.0
Other Fees, Licenses and Taxes ²	<u>54.9</u>	<u>56.9</u>	<u>60.3</u>	<u>64.3</u>	<u>63.4</u>
Total Local Government	4,246.5	4,572.1	4,692.5	4,761.8	4,956.7
<u>Federal and Local Assistance</u>					
Counties and Cities	66.3	59.1	80.0	80.8	80.7
U.S. Government	23,874.8	23,915.3	24,946.1	25,420.4	26,931.5
Other Assistance and Donations Grants	<u>109.3</u>	<u>180.5</u>	<u>134.7</u>	<u>144.4</u>	<u>77.9</u>
Total Federal and Local Assistance	24,050.4	24,155.0	25,160.8	25,645.6	27,090.2
<u>Summary of Trust Fund and General Revenue</u>					
General Revenue	26,198.0	27,681.1	28,325.4	29,594.5	31,218.2
Trust Fund	20,382.6	21,126.9	21,161.4	21,449.2	22,636.6
Revenues Shared with Local Governments	4,246.5	4,572.1	4,692.5	4,761.8	4,956.7
Donations & Fed Assistance	<u>24,050.4</u>	<u>24,155.0</u>	<u>25,160.8</u>	<u>25,645.6</u>	<u>27,090.2</u>
Total Direct Revenues	\$74,877.5	\$77,535.1	\$79,340.1	\$81,451.1	\$85,901.7

Source: Florida Office of Economic and Demographic Research (January 2019).

¹ The Trust Fund portion of each tax source may include an obligatory General Revenue service charge, thereby reducing the dollars available for appropriations out of the Trust Fund.

² Includes a portion of Communications Services Tax.

³ Includes an unknown amount of General Revenue appropriations.

⁴ Includes Other Fees Licenses and Taxes General Revenue and Other Nonoperating General Revenue.

⁵ Numbers have been adjusted to reflect historical changes made in January 2019 conference results.

GENERAL REVENUE FUND
FINANCIAL RETROSPECT AND OUTLOOK STATEMENTS

Retrospect Statement
Fiscal Years 2016-17 and 2017-18
(millions of dollars)

	<u>Recurring Funds</u>	<u>Non-Recurring Funds</u>	<u>Total All Funds</u>
FUNDS AVAILABLE 2016-17			
Balance Forward from 2015-16	\$0.0	\$1,891.8	\$1,891.8
Revenue Collections	29,628.2	(27.4)	29,600.8
Sales Tax Accounting Adjustment	0.0	(40.1)	(40.1)
BP Settlement Agreement Payment State Share	26.7	73.3	100.0
Transfers from Trust Funds	0.0	260.9	260.9
FEMA Reimbursements	0.0	19.5	19.5
Miscellaneous Adjustments	0.0	0.3	0.3
Fixed Capital Outlay Reversions	0.0	3.4	3.4
Federal Funds Interest Payment	<u>(0.3)</u>	<u>0.0</u>	<u>(0.3)</u>
Total 2016-17 Funds Available	\$29,654.6	\$2,181.7	\$31,836.3
EXPENDITURES 2016-17			
Operations	\$14,952.2	\$354.6	\$15,306.8
Aid to Local Governments	14,404.1	170.1	14,574.2
Fixed Capital Outlay	69.7	121.8	191.5
Fixed Capital Outlay/Aid to Local Governments	2.7	200.4	203.1
Transfer to Budget Stabilization Fund	0.0	30.7	30.7
Transfer to Clerk of Courts Trust Fund	0.0	7.0	7.0
Miscellaneous Nonoperating Expenditures	<u>0.0</u>	<u>8.5</u>	<u>8.5</u>
Total 2016-17 Expenditures	\$29,428.7	\$893.1	\$30,321.8
ENDING BALANCE	\$225.9	\$1,288.6	\$1,514.5

The cash balance in the Budget Stabilization Fund (not shown here) at the end of Fiscal Year 2016-17 was \$1,384.4 million. The revenue collections for Fiscal Year 2016-17 do not include payments received by the state that are related to the continuation of banked card games. These payments were accounted for separately (effectively held in reserve) and totaled \$166.5 million in Fiscal Year 2016-17. The first payment of \$400 million from the BP Settlement Agreement was received July 1, 2016. Pursuant to Chapter 2017-63, L.O.F., 75 percent of all payments to the state must be transferred immediately from the General Revenue Fund to the Triumph Gulf Coast Trust Fund for subsequent transfer to a trust account held by Triumph Gulf Coast, Inc. The revenue numbers shown here are net of this transfer.

FUNDS AVAILABLE 2017-18			
Balance Forward from 2016-17	\$0.0	\$1,514.5	\$1,514.5
Revenue Collections	30,850.5	406.1	31,256.6
BP Settlement Agreement Payment State Share	26.7	(26.7)	0.0
Transfers from Trust Funds	0.0	449.8	449.8
Release of Indian Gaming Reserve	0.0	226.8	226.8
FEMA Reimbursements	0.0	22.2	22.2
Miscellaneous Adjustments	0.0	0.1	0.1
Fixed Capital Outlay Reversions	0.0	6.6	6.6
Federal Funds Interest Payment	<u>(0.3)</u>	<u>0.0</u>	<u>(0.3)</u>
Total 2017-18 Funds Available	\$30,876.8	\$2,599.4	\$33,476.2
EXPENDITURES 2017-18			
Operations	\$15,710.9	\$411.0	\$16,121.9
Aid to Local Governments	15,126.4	8.0	15,134.4
Fixed Capital Outlay	149.9	234.0	383.9
Fixed Capital Outlay/Aid to Local Governments	2.1	149.4	151.5
Transfer to Budget Stabilization Fund	0.0	32.1	32.1
Miscellaneous Nonoperating Expenditures	<u>0.0</u>	<u>6.5</u>	<u>6.5</u>
Total 2017-18 Expenditures	\$30,989.3	\$841.0	\$31,830.3
ENDING BALANCE	(\$112.5)	\$1,758.4	\$1,645.9

The cash balance in the Budget Stabilization Fund (not shown here) at the end of Fiscal Year 2017-18 was \$1,416.5 million. Based on the Settlement Agreement and Stipulation entered into between the Seminole Tribe of Florida and the State of Florida in July 2017, the payments associated with banked card games that the state has held in reserve (\$233.8 million) were released in August 2017, and no future payments will be placed in reserve. The total reserve release shown is net of the \$7.0 million local distribution. Amounts are displayed to one decimal place but calculated at the full dollar amount, so they may not add to the total.

Source: Office of Economic and Demographic Research.

**GENERAL REVENUE FUND
FINANCIAL OUTLOOK STATEMENT**

Including Results of August 14, 2019 Revenue Estimating Conference and Other Adjustments as of August 2, 2019
Fiscal Year 2018-19 through Fiscal Year 2024-25
(in millions of dollars)

	Recurring Funds	Non-Recurring Funds	Total All Funds
FUNDS AVAILABLE 2018-19			
Balance Forward from 2017-18	\$0.0	\$1,645.9	\$1,645.9
Revenues	32,724.7	689.1	33,413.8
BP Settlement Agreement Payment State Share ⁴	26.7	0.0	26.7
HB 5001 (2018) Transfers from Trust Funds (Net of Vetoes)	0.0	398.6	398.6
Fixed Capital Outlay Reversions	0.0	2.0	2.0
FEMA Reimbursements	0.0	203.8	203.8
Budget Amendments - Revert FCO Carry Forward	0.0	7.7	7.7
SB 2500 (2019) - Revert FCO Carry Forward	0.0	0.9	0.9
SB 2500 (2019) - FCO Carry Forward Reversion with Reappropriation	0.0	0.8	0.8
Federal Funds Interest Earnings Rebate	<u>(2.0)</u>	<u>0.0</u>	<u>(2.0)</u>
Total 2018-19 Funds Available ^{1,2,3,4}	\$32,749.4	\$2,948.8	\$35,698.2
EFFECTIVE APPROPRIATIONS 2018-19			
State Operations	\$16,210.2	\$734.6	\$16,994.8
Aid to Local Government	15,507.1	(78.6)	15,428.5
Fixed Capital Outlay	55.0	187.7	242.7
Fixed Capital Outlay/Aid to Local Government	1.8	230.8	232.6
HB 5001 (2018) Transfer to Budget Stabilization Fund ¹	0.0	66.5	66.5
Budget Amendments - Campaign Finance Match	0.0	9.9	9.9
Budget Amendments - Bridge Loans	0.0	53.0	53.0
Bridge Loans Reversion from Unbudgeted Reserve	0.0	(20.0)	(20.0)
Budget Amendments - Red Tide Response	0.0	17.2	17.2
Budget Amendments - Hurricane Michael Response	0.0	590.6	590.6
Reappropriations - 2017-18 Hurricane Response	0.0	48.2	48.2
Reappropriations - Other	0.0	27.1	27.1
SB 2500 (2019) Reversions	0.0	(160.8)	(160.8)
SB 2500 (2019) Supplemental Appropriations	0.0	98.6	98.6
Bills with Appropriations (Net of Vetoes)	0.0	0.2	0.2
SB 2500 (2019) Reversions with Reappropriations	<u>0.0</u>	<u>(84.9)</u>	<u>(84.9)</u>
Total 2018-19 Effective Appropriations	\$31,774.1	\$1,720.1	\$33,494.2
Ending Balance ^{2,3}	\$975.3	\$1,228.7	\$2,204.0
FUNDS AVAILABLE 2019-20			
Balance Forward from 2018-19	\$0.0	\$2,204.0	\$2,204.0
Estimated Revenues	34,005.4	(1,062.1)	32,943.3
Prior Year Indian Gaming State Liability for Local Distribution	0.0	(7.2)	(7.2)
BP Settlement Agreement Payment State Share ⁴	26.7	0.0	26.7
SB 2500 (2019) Trust Fund Transfers (Net of Vetoes)	0.0	343.3	343.3
Unused Appropriations/Reversions	0.0	94.0	94.0
Fixed Capital Outlay Reversions	0.0	2.0	2.0
Federal Funds Interest Earnings Rebate	<u>(3.3)</u>	<u>0.0</u>	<u>(3.3)</u>
Total 2019-20 Funds Available ^{1,2,3,4}	\$34,028.8	\$1,574.0	\$35,602.8
EFFECTIVE APPROPRIATIONS 2019-20			
State Operations	\$16,568.6	\$631.8	\$17,200.4
Aid to Local Government	16,277.1	(133.2)	16,143.9
Fixed Capital Outlay	41.0	146.5	187.5
Fixed Capital Outlay/Aid to Local Government	3.7	406.6	410.3
SB 2500 (2019) Transfer to Budget Stabilization Fund ¹	0.0	91.2	91.2
Reappropriations	0.0	85.7	85.7
Budget Amendments - Bridge Loans	0.0	9.0	9.0
Budget Amendments - Hurricane Michael Response	<u>0.0</u>	<u>21.9</u>	<u>21.9</u>
Total 2019-20 Effective Appropriations	\$32,890.4	\$1,259.5	\$34,149.9
Ending Balance ^{2,3}	\$1,138.4	\$314.5	\$1,452.9

GENERAL REVENUE FUND
FINANCIAL OUTLOOK STATEMENT (cont)

	Recurring Funds	Non-Recurring Funds	Total All Funds
FUNDS AVAILABLE 2020-21			
Balance Forward from 2019-20	\$0.0	\$1,452.9	\$1,452.9
Estimated Revenues	35,067.8	(704.5)	34,363.3
BP Settlement Agreement Payment State Share ⁴	26.7	0.0	26.7
Unused Appropriations/Reversions	0.0	94.9	94.9
Fixed Capital Outlay Reversions	0.0	2.0	2.0
Federal Funds Interest Earnings Rebate	<u>(1.2)</u>	<u>0.0</u>	<u>(1.2)</u>
Total 2020-21 Funds Available ^{1,2,3,4}	\$35,093.3	\$845.3	\$35,938.6
FUNDS AVAILABLE 2021-22			
Estimated Revenues	\$36,183.7	(\$471.4)	\$35,712.3
BP Settlement Agreement Payment State Share ⁴	26.7	0.0	26.7
Unused Appropriations/Reversions	0.0	94.9	94.9
Fixed Capital Outlay Reversions	0.0	2.0	2.0
Federal Funds Interest Earnings Rebate	<u>(1.4)</u>	<u>0.0</u>	<u>(1.4)</u>
Total 2021-22 Funds Available ^{1,2,3,4}	\$36,209.0	(\$374.5)	\$35,834.5
FUNDS AVAILABLE 2022-23			
Estimated Revenues	\$37,189.6	(\$115.1)	\$37,074.5
BP Settlement Agreement Payment State Share ⁴	26.7	0.0	26.7
Unused Appropriations/Reversions	0.0	94.9	94.9
Fixed Capital Outlay Reversions	0.0	2.0	2.0
Federal Funds Interest Earnings Rebate	<u>(1.7)</u>	<u>0.0</u>	<u>(1.7)</u>
Total 2022-23 Funds Available ^{1,2,4}	\$37,214.6	(\$18.2)	\$37,196.4
FUNDS AVAILABLE 2023-24			
Estimated Revenues	\$38,246.6	(\$9.5)	\$38,237.1
BP Settlement Agreement Payment State Share ⁴	26.7	0.0	26.7
Unused Appropriations/Reversions	0.0	94.9	94.9
Fixed Capital Outlay Reversions	0.0	2.0	2.0
Federal Funds Interest Earnings Rebate	<u>(2.0)</u>	<u>0.0</u>	<u>(2.0)</u>
Total 2023-24 Funds Available ^{1,2,4}	\$38,271.3	\$87.4	\$38,358.7
FUNDS AVAILABLE 2024-25			
Estimated Revenues	\$39,468.8	(\$1.8)	\$39,467.0
BP Settlement Agreement Payment State Share ⁴	26.7	0.0	26.7
Unused Appropriations/Reversions	0.0	94.9	94.9
Fixed Capital Outlay Reversions	0.0	2.0	2.0
Federal Funds Interest Earnings Rebate	<u>(2.1)</u>	<u>0.0</u>	<u>(2.1)</u>
Total 2024-25 Funds Available ^{1,2,4}	\$39,493.4	\$95.1	\$39,588.5

Source: Office of Economic and Demographic Research.

- ¹ The cash balance in the Budget Stabilization Fund (not shown here) at the time of this Outlook was \$1,483.0 million and included the Fiscal Year 2018-19 transfer of \$66.5 million. The required balance for Fiscal Year 2019-20 is \$1,574.2 million, requiring a transfer of \$91.2 million. Based on the August 14, 2019 forecast, transfers of \$97.8 million in Fiscal Year 2020-21, zero in Fiscal Year 2021-22, \$71.0 million in Fiscal Year 2022-23, \$138.5 million in Fiscal Year 2023-24 and \$135.6 million in Fiscal Year 2024-25 will be required.
- ² This financial statement is based on current law as it is currently administered. It does not include the potential effect of any legal actions which might affect revenues or appropriations. The Attorney General periodically issues an update on any such litigation. In addition, it does not recognize any projected deficits or surpluses in any spending programs unless specifically stated.
- ³ The 2012 General Appropriations Act transferred \$350.0 million from the Lawton Chiles Endowment Fund to the General Revenue Fund. House Bill 5301 (Chapter 2012-33, Laws of Florida) requires that an amount equal to the amount of Medical-Hospital Fees collected above the January 2012 revenue estimate be transferred back to the Endowment in the following fiscal years until repayment is complete. The actual revenues collected in Fiscal Year 2018-19 were lower than the January 2012 estimate; thus, no transfer is required for Fiscal Year 2019-20. The estimate of repayment for Fiscal Year 2020-21 is zero. The final repayment of \$304.7 million (not shown on this Outlook) will be due in Fiscal Year 2021-22, in accordance with section 409.915(8), F.S.
- ⁴ Payments are associated with the settlement reached in In re: Oil Spill by the Oil Rig "Deepwater Horizon" in the Gulf of Mexico, MDL No. 2179 (April 20, 2010). The payments are in consideration of the full and complete settlement and release of claims by the State for various damages. It provides a total payment to the State of Florida of \$2.0 billion over the period Fiscal Year 2016-17 through 2032-33. The first payment of \$400 million was received on July 1, 2016. Annual payments of \$106.7 million began in Fiscal Year 2018-19. Pursuant to Chapter 2017-63, L.O.F., 75 percent of all payments to the state must be transferred immediately from the General Revenue Fund to the Triumph Gulf Coast Trust Fund for subsequent transfer to a trust account held by Triumph Gulf Coast, Inc. The revenue numbers shown here are net of this transfer.

Actual and Projected General Revenues

The actual general revenue collections for Fiscal Year 2018-19 of \$33,413.8 million were \$2.20 billion, or 7.0%, more than collections for Fiscal Year 2017-18. General revenue projections adopted at the August 14, 2019 meeting of the Revenue Estimating Conference for Fiscal Years 2019-20 through 2022-23, are shown in the following table.

General Revenues
Fiscal Years 2018-19 through 2022-23
(millions of dollars)

	<u>Actual 2018-19</u>	<u>Est. 2019-20</u>	<u>% change</u>	<u>Est. 2020-21</u>	<u>% change</u>	<u>Est. 2021-22</u>	<u>% change</u>	<u>Est. 2022-23</u>	<u>% Change</u>
Sales Tax	\$25,385.3	\$26,137.0	3.0%	\$27,025.0	3.4%	\$27,932.8	3.4%	\$28,822.6	3.2%
Beverage Tax & License	305.3	290.6	(4.8)%	312.1	7.4%	324.1	3.8%	335.1	3.4%
Corporate Income Tax	3,139.9	2,729.8	(13.1)%	2,762.1	1.2%	2,962.3	7.2%	3,388.6	14.4%
Doc Stamp Tax	912.1	947.6	3.9%	981.9	3.6%	1,014.6	3.3%	1,047.9	3.3%
Tobacco Tax	184.9	173.8	(6.0)%	169.9	(2.2)%	171.2	0.8%	169.7	(0.9)%
Insurance Premium Tax	877.1	947.4	8.0%	975.0	2.9%	1,025.9	5.2%	1,065.5	3.9%
Pari-Mutuels Tax	22.2	22.1	(0.5)%	22.2	0.5%	22.2	0.0%	22.4	0.9%
Intangibles Tax	385.2	396.9	3.0%	406.3	2.4%	415.7	2.3%	425.3	2.3%
Indian Gaming Revenues	247.7	-	(100.0)%	-	0.0%	-	0.0%	-	0.0%
Earnings on Investments	224.4	214.7	(4.3)%	234.0	9.0%	271.3	15.9%	279.3	2.9%
Highway Safety Licenses & Fees	545.9	511.5	(6.3)%	471.1	(7.9)%	418.8	(11.1)%	393.0	(6.2)%
Counties' Medicaid Share	298.7	302.1	1.1%	330.8	9.5%	332.1	0.4%	341.2	2.7%
Severance Taxes	11.9	11.2	(5.9)%	10.8	(3.6)%	10.9	0.9%	10.6	(2.8)%
Service Charges	481.4	484.9	0.7%	493.2	1.7%	498.0	1.0%	507.2	1.8%
Corporate Filing Fees	398.8	411.7	3.2%	425.5	3.4%	438.5	3.1%	449.5	2.5%
Other Taxes, Licenses & Fees	<u>387.9</u>	<u>314.9</u>	<u>(18.8)%</u>	<u>302.2</u>	<u>(4.0)%</u>	<u>291.6</u>	<u>(3.5)%</u>	<u>283.2</u>	<u>(2.9)%</u>
Total Revenue	33,808.7	33,896.2	0.3%	34,922.1	3.0%	36,130.0	3.5%	37,541.1	3.9%
Less: Refunds	<u>(394.9)</u>	<u>(952.9)</u>	<u>141.3%</u>	<u>(558.8)</u>	<u>(41.4)%</u>	<u>(417.7)</u>	<u>(25.3)%</u>	<u>(466.6)</u>	<u>11.7%</u>
Net General Revenue	\$33,413.8	\$32,943.3	(1.4)%	\$34,363.3	4.3%	\$35,712.3	3.9%	\$37,074.5	3.8%

Source: Office of Economic and Demographic Research, August 14, 2019 Consensus Revenue Estimating Conference.

¹ Represents percentage change from prior year, based on current estimates.

² Florida law redirects to various trust funds Documentary Stamp Tax Collections which otherwise would go into the General Revenue Fund.

The projections are based on the best information available when the estimates are made. **Investors should be aware that there have been material differences between past projections and actual general revenue collections; no assurance can be given that there will not continue to be material differences relating to such amounts.**

Operating and Fixed Capital Outlay Budget By Program Area
Fiscal Years 2015-16 through 2019-20
(in million of dollars)

Program	2015-16¹		2016-17¹		2017-18¹		2018-19¹		2019-20²	
	Operating	FCO	Operating	FCO	Operating	FCO	Operating	FCO	Operating	FCO
General Revenue										
Education	\$15,101.7	\$1.7	\$15,577.1	\$29.0	\$16,628.3	\$143.8	\$16,972.6	\$245.9	\$17,432.7	\$101.3
Human Services	8,761.6	12.0	9,488.3	8.4	9,361.2	12.2	9,920.4	6.8	10,194.5	11.1
Criminal Justice & Corrections	3,494.2	77.3	3,587.9	85.1	3,712.9	71.5	3,757.6	68.5	4,016.7	80.2
Natural Resources, Environmental										
Growth Mngmt, & Transportation	158.6	140.6	185.7	174.9	192.4	166.2	340.2	99.1	193.8	342.1
General Government	655.6	54.7	679.8	73.0	720.0	44.5	931.0	55.0	1,104.8	86.7
Judicial Branch	<u>411.1</u>	<u>15.4</u>	<u>420.5</u>	<u>14.0</u>	<u>439.9</u>	<u>3.4</u>	<u>451.6</u>	<u>-</u>	<u>459.0</u>	<u>1.0</u>
Total General Revenue	\$28,582.7	\$301.7	\$29,939.4	\$384.3	\$31,054.8	\$441.5	\$32,373.3	\$475.2	\$33,401.5	\$622.5
Trust Funds										
Education	\$6,014.7	\$1,804.9	\$6,291.4	\$2,007.2	\$6,564.1	\$1,699.7	\$6,926.0	\$1,651.7	\$5,108.2	\$1,316.7
Human Services	24,194.8	27.7	25,095.4	20.2	26,686.5	57.1	27,277.2	10.3	27,447.8	14.1
Criminal Justice & Corrections	681.8	-	808.2	-	807.8	-	844.1	5.3	773.2	-
Natural Resources, Environment										
Growth Mngmt, Transportation	2,823.3	10,246.6	3,143.5	11,082.6	3,108.0	10,994.3	3,120.9	11,247.8	3,134.5	11,087.6
General Government	3,573.7	84.4	3,642.8	60.1	3,699.5	50.5	5,226.5	61.0	5,947.2	71.5
Judicial Branch	<u>92.7</u>	<u>-</u>	<u>91.2</u>	<u>-</u>	<u>93.0</u>	<u>-</u>	<u>93.3</u>	<u>-</u>	<u>94.4</u>	<u>0.6</u>
Total Trust Funds	\$37,381.0	\$12,163.5	\$39,072.9	\$13,170.1	\$40,958.9	\$12,801.6	\$43,488.1	\$12,976.1	\$42,505.3	\$12,490.5
Total All Funds										
Education	\$21,116.5	\$1,806.6	\$21,868.5	\$2,036.3	\$23,192.3	\$1,843.4	\$23,898.5	\$1,897.6	\$22,541.0	\$1,418.0
Human Services	32,956.4	39.7	34,584.2	28.6	36,047.8	69.4	37,197.7	17.0	37,642.3	25.2
Criminal Justice & Corrections	4,176.0	77.3	4,396.1	85.1	4,520.7	71.5	4,601.7	73.8	4,789.9	80.2
Natural Resources, Environment										
Growth Mngmt, Transportation	2,981.9	10,387.2	3,329.3	11,257.5	3,300.4	11,160.4	3,461.1	11,346.9	3,328.2	11,429.8
General Government	4,229.2	139.1	4,322.6	133.1	4,419.5	95.1	6,157.5	116.0	7,052.1	158.2
Judicial Branch	<u>503.8</u>	<u>15.4</u>	<u>511.7</u>	<u>14.0</u>	<u>532.9</u>	<u>3.4</u>	<u>544.9</u>	<u>-</u>	<u>553.3</u>	<u>1.6</u>
Total All Funds	<u>\$65,963.7</u>	<u>\$12,465.2</u>	<u>\$69,012.3</u>	<u>\$13,554.5</u>	<u>\$72,013.7</u>	<u>\$13,243.1</u>	<u>\$75,861.4</u>	<u>\$13,451.3</u>	<u>\$75,906.8</u>	<u>\$13,113.0</u>

¹ Source: Executive Office of the Governor. Fiscal Years 2015-16 through 2018-19 appropriations in annual General Appropriations Bills and other legislation after Governor's vetoes.

² Fiscal Year 2019-20 includes only appropriations in the General Appropriations Bill and is prior to Governor's vetoes.

STATE DEBT

As a general rule, bonds of the State or its agencies are issued by the Division of Bond Finance pursuant to the State Bond Act, ss. 215.57-83, Florida Statutes. During the 2001 Session the Florida Legislature formalized in statute an annual Debt Affordability Study to be used as a tool for measuring, monitoring and managing the State's debt. The State debt fiscal responsibility policy, s. 215.98, Florida Statutes, establishes debt service to revenues as the benchmark debt ratio to estimate future debt capacity, using a target ratio of 6% and a cap of 7%. The estimated future debt capacity is intended to provide legislative policy makers with information to measure the financial impact of new financing programs and to assist them in formulating capital spending plans.

The study first looks at total State debt outstanding, separating the debt into net tax-supported debt and self supporting debt. Net tax-supported debt is repaid by the State from a specified tax revenue source or general appropriation of the State. Self supporting debt is reasonably expected to be repaid from project revenue or loan repayments. Some but not all of State debt is additionally secured by the full faith and credit of the State.

State Full Faith and Credit Debt

Article VII, Section 11(a) of the Florida Constitution authorizes the issuance of bonds pledging the full faith and credit of the State to finance or refinance State capital outlay projects upon approval by vote of the electors, provided that the outstanding principal amount may not exceed 50% of total State tax revenues for the two preceding fiscal years. There are currently no bonds outstanding under this authorization.

All of Florida's full faith and credit debt which is currently outstanding has been issued under separate constitutional authority which also authorizes the pledge of a dedicated tax or other revenue source as well. Such debt includes bonds for pollution control and abatement and solid waste disposal (operating revenues, assessments); right-of-way acquisition and bridge construction (motor fuel or special fuel taxes); public education capital outlay (gross receipts taxes); roads within a county (second gas tax); and school districts or community colleges (motor vehicle license revenues). Although these bonds are not subject to the above-referenced debt limitation, each program has debt service coverage tests which must be met prior to issuance.

State Revenue Bonds

The Florida Constitution authorizes the issuance of bonds to finance or refinance State capital outlay projects, which are payable from funds derived directly from sources other than State tax revenues.

Bonds outstanding under this authorization include financings for the State University System, individual universities, community colleges, public schools, State owned office facilities, toll roads, ports, and other transportation projects. The Constitution specifically authorizes the issuance of bonds to fund student loans; to finance housing; and to refund outstanding bonds at a lower net interest cost. The Constitution was amended in 1998 to expressly permit the issuance of bonds pledging a dedicated State tax source for the purposes of conservation, outdoor recreation, water resource development, restoration of natural systems, or historic preservation.

Bonds may also be issued, which are payable from Documentary Stamp Taxes deposited in the Land Acquisition Trust Fund for conservation and recreation purposes, including Everglades restoration.

Other Obligations

Although most debt of the State or its agencies is issued through the Division of Bond Finance, there are other entities which issue bonds or incur other long term obligations which are secured by State revenues. These include the Florida Housing Finance Corporation, the Florida Correctional Finance Corporation, the Department of Corrections, the Department of Juvenile Justice, the Department of Children and Families, the Florida Hurricane Catastrophe Fund Finance Corporation and the Inland Protection Financing Corporation. The Florida Legislature has also dedicated 2.59% of cigarette tax collections to the H. Lee Moffitt Cancer Center and Research Institute, for 10 years, which are pledged to secure bonds issued by the City of Tampa. The City of Tallahassee issued bonds to finance relocation of the developmental research school of Florida State University. The bonds are payable from lease revenues appropriated to the University each year. The State's Chief Financial Officer has a Consolidated Equipment Financing Program for State agencies and a lease purchase financing for replacement of the State's accounting and cash management systems, which are subject to annual appropriation. The State's five water management districts have authority to issue bonds secured by certain moneys from the Water Management Lands Trust Fund.

The Florida Water Pollution Control Financing Corporation was created to finance projects through the State's Department of Environmental Protection which are authorized under the Federal Clean Water Act. The Corporation is authorized to issue bonds secured through the repayment of loans to local government entities. The principal amount of such bonds which may be issued shall not exceed \$300 million in any Fiscal Year.

Direct Debt Outstanding by Type and Program
As of June 30, 2018
(In Millions Dollars)

<u>Debt Type</u>	<u>Amount</u>
Net Tax-Supported Debt	\$17,527.9
Self-Supporting Debt	3,502.5
Total State Debt Outstanding	<u><u>\$21,030.4</u></u>
Net Tax-Supported Debt	
Education	
Public Education Capital Outlay	\$7,792.1
Capital Outlay	122.5
Lottery	1,195.8
University System Improvement	106.8
University Mandatory Fee	72.3
State (Community) Colleges	70.6
Total Education	<u>\$9,360.1</u>
Environmental	
Florida Forever Bonds	810.0
Everglades Restoration Bonds	202.3
Inland Protection	46.8
Total Environmental	<u>\$1,059.1</u>
Transportation	
Right-of-Way Acquisition and Bridge Construction	1,778.0
P3 Obligations	3,809.3
Florida Ports	313.9
Total Transportation	<u>\$5,901.2</u>
Appropriated Debt / Other	
Facilities	190.8
Prisons	407.3
Children & Families	74.1
Juvenile Justice	1.7
Lee Moffitt Cancer Center	165.0
Master Lease	16.8
Energy Saving Contracts	31.0
Sports Facility Obligations	320.7
Total Appropriated Debt / Other	<u>\$1,207.5</u>
Total Net Tax-Supported Debt Outstanding	<u><u>\$17,527.9</u></u>
Self-Supporting Debt	
Education	
University Auxiliary Facility Revenue Bonds	\$699.2
Environmental	
Florida Water Pollution Control	304.6
Transportation	
Toll Facilities	2,474.5
State Infrastructure Bank Revenue Bonds	24.2
Total Transportation	<u>2,498.7</u>
Total Self-Supported Debt Outstanding	<u><u>\$3,502.5</u></u>

Source: State of Florida Division of Bond Finance, 2018 debt analysis.

Per Capita Tax Supported Debt
For Fiscal Years Ended June 30

<u>Year</u>	<u>Population¹</u> <u>(thousands)</u>	<u>Total Principal</u> <u>Outstanding²</u> <u>(millions)</u>	<u>Per</u> <u>Capita</u>
2009	18,767	\$22,373	1,192
2010	18,761	23,557	1,256
2011	18,880	22,945	1,215
2012	19,028	21,593	1,135
2013	19,214	20,348	1,059
2014	19,440	20,013	1,029
2015	19,738	21,406	1,085
2016	20,051	20,077	1,001
2017	20,393	18,870	925
2018	20,747	17,480	843

¹ Population estimate by the Office of Economic and Demographic Research, Florida Legislature (July, 2018).

² State of Florida 2018 Debt Affordability Report; excludes refunded debt.

State of Florida
Total Debt Outstanding
As of June 30, 2018

Fiscal Year	Net Tax-Supported Debt Outstanding			Self-Supporting Debt Outstanding			Total Debt Outstanding		
	Principal*	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 1,367,132,653	\$ 679,319,235	\$ 2,046,451,887	\$ 52,910,000	\$ 66,443,467	\$ 119,353,467	\$ 1,420,042,653	\$ 745,762,702	\$ 2,165,805,354
2020	1,438,478,103	629,790,846	2,068,268,949	102,465,000	115,294,500	217,759,500	1,540,943,103	745,085,346	2,286,028,449
2021	1,443,398,975	627,095,572	2,070,494,547	143,700,000	148,603,550	292,303,550	1,587,098,975	775,699,122	2,362,798,097
2022	1,545,830,505	576,795,555	2,122,626,060	149,725,000	146,698,500	296,423,500	1,695,555,505	723,494,055	2,419,049,560
2023	1,131,573,220	509,185,159	1,640,758,379	155,695,000	148,867,950	304,562,950	1,287,268,220	658,053,109	1,945,321,329
2024	1,050,012,514	460,205,291	1,510,217,805	160,945,000	145,908,700	306,853,700	1,210,957,514	606,113,991	1,817,071,505
2025	996,794,571	414,809,222	1,411,603,792	168,990,000	137,861,450	306,851,450	1,165,784,571	552,670,672	1,718,455,242
2026	853,352,905	371,747,227	1,225,100,132	177,430,000	129,411,950	306,841,950	1,030,782,905	501,159,177	1,531,942,082
2027	786,130,930	336,797,144	1,122,928,074	186,310,000	120,540,450	306,850,450	972,440,930	457,337,594	1,429,778,524
2028	712,239,083	307,321,836	1,019,560,919	195,620,000	111,224,950	306,844,950	907,859,083	418,546,786	1,326,405,869
2029	644,499,348	280,957,563	925,456,911	205,405,000	101,443,950	306,848,950	849,904,348	382,401,513	1,232,305,861
2030	601,126,994	257,849,418	858,976,412	215,665,000	91,173,700	306,838,700	816,791,994	349,023,118	1,165,815,112
2031	545,547,131	239,022,471	784,569,602	189,685,000	80,490,100	270,175,100	735,232,131	319,512,571	1,054,744,702
2032	536,310,652	220,349,644	756,660,296	140,475,000	71,039,500	211,514,500	676,785,652	291,389,144	968,174,796
2033	491,233,247	204,219,780	695,453,027	65,340,000	64,050,750	129,390,750	556,573,247	268,270,530	824,843,777
2034	434,236,494	190,773,454	625,009,948	52,850,000	61,046,300	113,896,300	487,086,494	251,819,754	738,906,248
2035	402,643,910	178,539,503	581,183,412	55,370,000	58,521,950	113,891,950	458,013,910	237,061,453	695,075,362
2036	383,774,862	166,863,406	550,638,268	58,025,000	55,876,300	113,901,300	441,799,862	222,739,706	664,539,568
2037	353,904,801	157,044,054	510,948,856	60,795,000	53,102,850	113,897,850	414,699,801	210,146,904	624,846,706
2038	274,668,069	148,161,308	422,829,377	63,695,000	50,196,000	113,891,000	338,363,069	198,357,308	536,720,377
2039	213,270,591	142,549,787	355,820,378	66,745,000	47,149,450	113,894,450	280,015,591	189,699,237	469,714,828
2040	176,010,350	135,936,016	311,946,366	69,935,000	43,955,900	113,890,900	245,945,350	179,891,916	425,837,266
2041	151,969,791	134,553,254	286,523,045	73,290,000	40,608,600	113,898,600	225,259,791	175,161,854	400,421,645
2042	144,849,292	134,239,005	279,088,297	76,795,000	37,099,550	113,894,550	221,644,292	171,338,555	392,982,847
2043	153,011,576	136,414,430	289,426,006	80,475,000	33,421,450	113,896,450	233,486,576	169,835,880	403,322,456
2044	121,213,935	67,314,944	188,528,879	84,320,000	29,565,850	113,885,850	205,533,935	96,880,794	302,414,729
2045	82,702,045	25,854,731	108,556,776	88,365,000	25,524,750	113,889,750	171,067,045	51,379,481	222,446,526
2046	70,870,467	22,384,468	93,254,935	92,610,000	21,288,350	113,898,350	163,480,467	43,672,818	207,153,285
2047	66,427,791	19,419,194	85,846,985	97,045,000	16,847,000	113,892,000	163,472,791	36,266,194	199,738,985
2048	41,950,512	16,549,248	58,499,760	101,705,000	12,191,450	113,896,450	143,655,512	28,740,698	172,396,210
2049	43,932,662	14,567,097	58,499,759	58,865,000	7,310,750	66,175,750	102,797,662	21,877,847	124,675,509
2050	46,008,470	12,491,291	58,499,761	41,245,000	4,367,500	45,612,500	87,253,470	16,858,791	104,112,261
2051	48,182,357	10,317,402	58,499,759	22,845,000	2,305,250	25,150,250	71,027,357	12,622,652	83,650,009
2052	50,458,962	8,040,798	58,499,760	17,375,000	1,163,000	18,538,000	67,833,962	9,203,798	77,037,760
2053	52,843,134	5,656,625	58,499,759	5,885,000	294,250	6,179,250	58,728,134	5,950,875	64,679,009
2054	55,339,959	3,159,800	58,499,759	-	-	-	55,339,959	3,159,800	58,499,759
2055	16,004,001	150,500	16,154,501	-	-	-	16,004,001	150,500	16,154,501
	<u>\$ 17,527,934,864</u>	<u>\$ 7,846,446,276</u>	<u>\$ 25,374,381,140</u>	<u>\$ 3,578,595,000</u>	<u>\$ 2,280,889,967</u>	<u>\$ 5,859,484,967</u>	<u>\$ 21,106,529,864</u>	<u>\$ 10,127,336,243</u>	<u>\$ 31,233,866,107</u>

*Department of Transportation's long-term Public/Private Partnership ("P3") obligations are included in net tax-supported debt at the total annual payment obligation. Although certain payments are expected to be made from non-tax sources, they have not been considered in showing net tax-supported payments.

Source: State of Florida Division of Bond Finance, 2018 debt analysis.

Net Tax-Supported Bonds Issued Since July 1, 2018
(chronological, by date of issuance)

Department of Transportation, Right-of-Way Acquisition and Bridge Construction Bonds, Series 2018B	\$245,280,000
State Board of Education, Public Education Capital Outlay Bonds, 2018 Series B	116,070,000
State Board of Education, Public Education Capital Outlay Refunding Bonds, 2018 Series C	149,120,000
Less: Public Education Capital Outlay Bonds refunded	(162,390,000)
Department of Transportation, Financing Corporation Revenue Bonds, Series 2018	164,005,000
Department of Management Services, Refunded Certificates of Participation, Series 2018A	251,945,000
Less: Certificates of Participation refunded	(313,710,000)
Department of Environmental Protection, Florida Forever Revenue Refunding Bonds, Series 2018A	119,305,000
Less: Florida Forever Revenue Refunding Bonds refunded	(149,480,000)
State Board of Education, Capital Outlay Refunding Bonds, 2019 Series A	8,560,000
Less: Capital Outlay Bonds refunded	(9,705,000)
State Board of Education, Lottery Revenue Refunding Bonds, Series 2019A	74,685,000
Less: Lottery Revenue Bonds refunded	(99,200,000)
Department of Transportation, Right-of-Way Acquisition and Bridge Construction Refunding Bonds, Series 2019A	240,695,000
Less: Right-of-Way Acquisition and Bridge Construction Bonds refunded	(267,195,000)
State Board of Education, Public Education Capital Outlay Refunding Bonds, 2019 Series A	438,900,000
Less: Public Education Capital Outlay Bonds refunded	(471,360,000)
Department of Environmental Protection, Everglades Restoration Revenue Refunding Bonds, Series 2019A	19,570,000
Less: Everglades Restoration Bonds refunded	(26,595,000)
State Board of Education, Public Education Capital Outlay Refunding Bonds, 2019 Series B	135,465,000
Less: Public Education Capital Outlay Bonds refunded	(158,505,000)
State Board of Education, Public Education Capital Outlay Refunding Bonds, 2019 Series C	234,155,000
Less: Public Education Capital Outlay Bonds refunded	(264,980,000)
Department of Transportation, Right-of-Way Acquisition and Bridge Construction Bonds, Series 2019B	184,500,000
Department of Environmental Protection, Everglades Restoration Revenue Refunding Bonds, Series 2019B	42,220,000
Less: Everglades Restoration Bonds refunded	(50,270,000)
State Board of Education, Public Education Capital Outlay Refunding Bonds, 2019 Series D	168,825,000
Less: Public Education Capital Outlay Bonds refunded	(197,310,000)
Inland Protection Financing Corporation Revenue Refunding Bonds, Series 2019A*	24,820,000
Less: Inland Protection Financing Corporation bonds*	(39,600,000)
Department of Transportation, Federal Highway Reimbursement Revenue Bonds, Series 2019A (Indirect GARVEEs)**	<u>125,320,000</u>
	\$533,140,000

* Subject to the delivery of the Inland Protection Financing Corporation Revenue Refunding Bonds, Series 2019A on October 31, 2019.

** Subject to the delivery of the Federal Highway Reimbursement Revenue Bonds, Series 2019A (Indirect GARVEEs) on November 7, 2019.

Self Supporting Bonds Issued Since July 1, 2018

Board of Governors, University of Florida Parking Facility Revenue Bonds, Series 2018A	\$39,070,000
Less: University of Florida Parking Bonds refunded	(11,375,000)
Department of Transportation, Turnpike Revenue Bonds, Series 2018A	299,975,000
Department of Transportation, Turnpike Revenue Refunding Bonds, Series 2019A	224,455,000
Less: Turnpike Revenue Bonds refunded	(255,000,000)
Board of Governors, Florida Agricultural and Mechanical University Dormitory Revenue Refunding Bonds, Series 2019A	53,249,765
Less: Florida Agricultural and Mechanical University Dormitory Bonds refunded	(51,816,000)
Board of Governors, Florida Agricultural and Mechanical University Dormitory Revenue Bonds, Series 2019A*	13,641,211
Department of Transportation, Sunshine Skyway Revenue Bonds, Series 2019A	86,640,000
Board of Governors, Florida International University Parking Facility Revenue Refunding Bonds, Series 2019A	19,805,000
Less: Florida International University Bonds refunded	<u>(25,110,000)</u>
	\$393,534,976

* These bonds were issued as a drawdown loan with the US Department of Education. The amount shown is the current loan balance and the final loan amount will not exceed \$70 million after all draws are made.

STATEMENT OF ASSETS AND LIABILITIES
Administered by State Chief Financial Officer

	ASSETS	
	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>
Currency and Coins	\$0.00	\$0.00
Unemployment Compensation Investments Due From U.S Treasury -Unemployment TF (1)	3,852,368,375.68	3,597,148,273.72
Deferred Compensation Assets (2)	4,368,498,085.07	4,041,387,838.90
Bank Accounts (3)	(47,254,027.96)	(119,159,502.32)
Consolidated Revolving Account (4)	320,669.85	213,933.04
Total Cash, Receivables, and Other Assets	<u>\$8,173,933,102.64</u>	<u>\$7,519,590,543.34</u>
Certificates of Deposit	\$1,027,100,000.00	\$1,046,500,000.00
Securities (6)	22,338,239,544.44	22,434,139,155.06
Total Investments	<u>23,366,339,544.44</u>	<u>23,480,639,155.06</u>
Total Assets of the Division of Treasury	<u>\$31,539,272,647.08</u>	<u>\$31,000,229,698.40</u>
	LIABILITIES	
	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>
Due to:		
General Revenue Fund	\$3,531,908,908.38	\$3,256,232,411.23
Trust Fund (7)	16,286,517,940.05	15,927,054,158.59
Budget Stabilization Fund	<u>1,416,490,000.00</u>	<u>1,384,390,000.00</u>
Total State Liabilities	\$21,234,916,848.43	\$20,567,676,569.82
Interest Payable & Securities Liability (8)	\$8,207,650.08	\$211,764,928.79
Due to Special Purpose Investment Accounts (5)	5,927,329,393.65	6,179,186,427.85
Due to Deferred Compensation Participants and/or Program (2)	4,368,498,085.07	4,041,387,838.90
Due to Consolidated Revolving Account Agency Participants (4)	320,669.85	213,933.04
Total Liabilities of the Division of Treasury	<u>\$31,539,272,647.08</u>	<u>\$31,000,229,698.40</u>

Source: Annual Report of the State Chief Financial Officer for the Division of Treasury for the Fiscal Year Ended June 30, 2018.

Note: The following footnotes apply to the 2018 numbers only. For footnotes regarding the 2017 numbers, see the Annual Report of the State Chief Financial Officer for the Division of Treasury for the Fiscal Year Ended June 30, 2017.

- ¹ Unemployment Trust Fund represents U.C. Benefit Funds invested by the Federal Government and due from U.S. Treasury.
- ² Plan assets held in the Deferred Compensation Trust Fund for the exclusive benefit of participants and their beneficiaries.
- ³ Represents the "Per Reconciled Cash Balance" of \$55,283,484.52 as of June 30, 2018 with receipted items in transit of \$220,589,496.69 and disbursed items in transit of (\$4,103,166.25), which nets to \$216,486,330.44. These items have cleared the bank but have not been posted to the State ledger. The total Bank Accounts figure does not include \$151,420,794.34 held in clearing and/or revolving accounts outside the Treasury.
- ⁴ The amount due to agency participants in the Consolidated Revolving Account as of June 30, 2018, is \$7,424,669.85. Of this, \$320,669.85 is in a financial institution account and \$7,104,000.00 is invested in Special Purpose Investment Accounts.
- ⁵ Represents Chief Financial Officer's Special Purpose Investment Accounts held in the Treasury Investment Pool and interest due to those accounts. The Chief Financial Officer's Special Purpose Investment Accounts are investments on behalf of state agencies with funds outside the Chief Financial Officer's Cash Concentration System and other statutorily or constitutionally created entities.
- ⁶ Includes Purchased Interest in the amount of \$3,104,561.73.
- ⁷ Included in the Trust Fund Balance is \$7,494,797,235.15 earning interest for the benefit of Trust Funds; Unemployment Trust Fund balance of \$3,852,368,375.68; the remaining balance of \$4,939,352,329.22 earning interest for General Revenue.
- ⁸ Represents \$7,768,290.24 in interest not yet receipted to State Accounts and Securities Liability Cost of \$439,359.84 which settled July 2018.

Note:	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Total Market Value of all Securities held by the Treasury	\$23,452,279,649.06	\$23,328,701,501.85

FLORIDA RETIREMENT SYSTEM

(Source: Florida Department of Management Services, Division of Retirement)

General. The Florida Retirement System (“FRS”) was established by the Florida Legislature effective December 1, 1970 pursuant to Chapter 121, Florida Statutes (the “Act”) by consolidating the state’s existing State-administered retirement systems into one system. In addition to Chapter 121, the FRS is governed by Article X, Section 14 of the State Constitution, which prohibits increasing benefits without concurrently providing for funding the increase on a sound actuarial basis. The FRS provides retirement, disability and death benefits for participating public employees. The FRS is a cost-sharing, multiple employer, retirement plan. The FRS Defined Benefit Program (also referred to as the FRS Pension Plan) is administered by the Division of Retirement in the Department of Management Services. The assets of the FRS Defined Benefit Program are held in the FRS Trust Fund and are invested by the State Board of Administration. The FRS Investment Plan was created by the Florida Legislature as a defined contribution plan alternative to the FRS Pension Plan and is administered by the State Board of Administration. In addition to these two primary, integrated programs there are non-integrated defined contribution plan alternatives available to targeted employee groups in the State University System, the State Community College System, and members of the Senior Management Service Class.

In the Defined Benefit Pension Plan, a monthly benefit is paid to retired employees in a fixed amount calculated at the time of retirement as determined by a statutory formula. The amount of the monthly benefit is generally based on the years of service credits and salary. The benefit is paid to the retiree for life and, if applicable, a survivor benefit is paid to the designated beneficiary at the death of the retiree.

In the Defined Contribution Plan, the employee’s benefit is comprised of the accumulated required contributions and investment earnings on those contributions. Instead of guaranteed benefits based on a formula, the contributions to the member account are guaranteed by the plan and the investment risk is assumed by the employee. Since the employer’s obligation to make contributions to the Defined Contribution Plan does not extend beyond the required contribution from current payroll, the employer’s funding obligation for a Defined Contribution Plan is fully funded as long as these contributions are made.

FRS membership is compulsory for employees working in regularly established positions for a state agency, county governmental unit, district school board, state university, state college or participating city, independent special district, charter school or metropolitan planning district, except for retirees initially reemployed on or after July 1, 2010 who may not be enrolled. As of June 30, 2018, The State’s and State Universities’ aggregate allocable portion of FRS Contributions was approximately 23.3%. There are five classes of plan membership: Regular Class, Special Risk Class, Special Risk Administrative Support Class, Elected Officers’ Class (“EOC”), and Senior Management Service Class (“SMSC”). For members initially enrolled in the FRS on or after January 1, 2018, enrollees who do not make an initial selection will default into the FRS Investment Plan, except for Special Risk Class, which will continue to default into the FRS Pension Plan. Elected officials who are eligible to participate in the EOC may elect to withdraw from the FRS altogether or choose to participate in the SMSC in lieu of the EOC. Regular Class membership covers any position that is not designated to participate in any other membership class.

Participation by cities, municipalities, special districts, charter schools, and metropolitan planning districts although optional, is generally irrevocable once the election to participate is made. As of June 30, 2018, there were 1,002 participating employers enrolling New Members and 42 Participating employers closed to new FRS membership with grandfathered FRS members, and 1,210,795 individual members, as follows:

Retirees & Beneficiaries	415,483 ¹
Terminated Vested Members	118,547
DROP Participants	33,432
Active Vested Members	432,227
Active Non-vested members	<u>211,106</u>
TOTAL	1,210,795 ²

¹ Excludes Teachers’ Retirement System Survivors’ Benefit (“TRS-SB”), General Revenue payment recipients and FRS Investment Plan members who received a distribution.

² Includes FRS Pension Plan and Investment Plan members.

Benefits. Chapter 2011-68, Laws of Florida, became law on July 1, 2011. Chapter 2011-68 created significant reforms to the FRS, most notably by requiring that FRS members contribute to the FRS and by establishing a “two-tier” benefit system with less generous benefits for employees who became members of the FRS on or after July 1, 2011 (“New Members”), as compared to those provided to employees who were members of the FRS prior to July 1, 2011 (“Existing Members”). See “2011 Legislation Affecting FRS Benefits and Funding” below for further details. FRS Pension Plan members receive one month of service credit for each month in which any salary is paid. Existing Members vest after 6 years of service for all membership classes and New Members vest after 8 years of service for all membership classes. Members vest after 8 years for non-duty related disability benefits. After they are vested, members are eligible for normal retirement when they have met the minimum age or service requirements for their membership class. For Existing Members of the Regular Class, SMSC and the EOC, normal retirement is age 62 and vested, or 30 years of service regardless of age, and age 65 and vested, or 33 years of service regardless of age for New members. For Existing Members of the Special Risk Class and the Special Risk Administrative Support Class, normal retirement is age 55 and vested, or 25 years of service regardless of age, and age 60 and vested, or 30 years of service regardless of age, for New Members. Early retirement may be taken any time after vesting subject to a 5% benefit reduction for each year prior to normal retirement age.

Summary of FRS Pension Plan Benefits

	Vesting Period	Regular Class, SMSC, EOC	Special Risk Classes
Existing Members	6 years	62 years old or 30 years of service	55 years old or 25 years of service
New Members	8 years	65 years old or 33 years of service	60 years old or 30 years of service

Retirement benefits under the FRS Pension Plan are computed using a formula comprised of age and/or years of service at retirement, average final compensation and total percentage based on the accrual value by plan or membership class of service credit.

FRS Pension Plan members who reach normal retirement may participate in the Deferred Retirement Option Program ("DROP"), which allows a member to effectively retire while deferring termination and to continue employment for up to 60 months (or 96 months for some educational personnel under certain conditions). The retirement benefit is calculated as of the beginning of DROP participation and no further service is accrued. During DROP participation the member's retirement benefits accumulate in the FRS Trust Fund, earning monthly interest at an equivalent annual rate of 6.50% for members with an effective DROP begin date before July 1, 2011, and an equivalent annual rate of 1.3% for members with a effective DROP begin date on or after July 1, 2011. At termination the member's DROP accumulation may be paid out as a lump sum, a rollover, or a combination of these two payout methods and the member begins receiving monthly benefits determined when DROP participation began, increased by annual cost of living adjustments.

FRS Investment Plan members invest their contributions in the investment options offered under the plan. FRS Investment Plan members receive one month of service credit for each month in which any salary is paid and vest in their employer contributions after one year of service under the FRS Investment Plan. Members are immediately vested in their employee contributions. If a present value amount is transferred from the FRS Pension Plan to the member's FRS Investment Plan account as the opening balance, the member must meet the FRS Pension Plan vesting requirement for any such transferred funds and associated earnings.

FRS members vest immediately for in-line-of-duty disability benefits or after eight years for non-duty related disability benefits if totally and permanently disabled from all employment. FRS Pension Plan members receive disability monthly benefits until no longer disabled. Periodic reexamination is conducted to verify continued disability retirement eligibility. FRS Investment Plan members may elect to surrender their account balance to the FRS Trust Fund to receive guaranteed monthly benefits under the FRS Pension Plan. Alternatively, FRS Investment Plan members may retain their account balance to fund their future retirement needs in lieu of guaranteed monthly benefits under the FRS Pension Plan. FRS Investment Plan members who retain their account balances to fund their disability retirement may leave their funds invested in the plan, structure periodic payments, purchase an annuity, receive a lump-sum payment of their account balance, rollover their monies into another eligible plan qualified under the Internal Revenue Code, or a combination of these options.

The service retirement benefits of FRS Investment Plan members are their account balances at the time they choose to retire as managed by the member throughout retirement. FRS Investment Plan members may leave their funds invested in the plan, structure periodic benefit payments under their investment contracts, purchase an annuity, rollover their funds to a different qualified plan, receive a lump-sum payment representing their account balance in part or in whole, annuitize some or all of their account, or a combination of these options.

Certain Senior Management Service Class members, State University System faculty, Executive Service staff, Administrative and Professional Service staff, and Florida College System faculty and certain administrators may elect to participate in the existing, non-integrated optional defined contribution programs for these targeted employee groups instead of either of the two primary integrated programs offered under the FRS, the FRS Pension Plan and the FRS Investment Plan. The Senior Management Service Optional Annuity Program was closed to new participants effective July 1, 2017. At the time of closure, fewer than 30 members participated in this optional retirement program.

Funding. From the establishment of the FRS through 1975 both employers and members were required to pay retirement contributions. Members contributions were made on a post-tax basis. From 1975 through June 30, 2011, employers paid all required contributions. Beginning July 1, 2011, both employer and members are required to pay retirement contributions. Members contribute 3% of their salary as retirement contributions, on a pre-tax basis, with the employer automatically deducting the employee contributions from the members' salary. The contribution rates for the FRS Investment Plan are set by statute and the FRS Pension Plan rates, which are determined annually by the Legislature based on an actuarial valuation and any plan changes adopted during the legislative session. (See "Schedule of Funding Progress" below). These two rates are "blended" to create the uniform contribution rate for the primary, integrated FRS programs as required under Part III of Chapter 121, F.S. FRS employers pay a single rate by membership class or sub-class for members of the two primary, integrated FRS plans. The portion of the required FRS Investment Plan contribution rate destined for the member's account is forwarded to the FRS Investment Plan's administrator and the portion for Pension Plan funding is forwarded to the FRS Trust Fund. The employer contribution rates for the non-integrated defined contribution plans are set by statute and forwarded to the specified provider company under the program.

2011 Legislation Affecting FRS Benefits and Funding. Chapter 2011-68, Laws of Florida, became law on July 1, 2011 and provided for significant reforms to the FRS, most notably by requiring that FRS members contribute to the FRS and phasing out post-retirement cost-of-living adjustments. The changes also effectively establish a "two-tier" benefit system with less generous benefits for employees who are initially enrolled in the FRS on or after July 1, 2011, as compared to those provided to employees who were initially enrolled in the FRS prior to July 1, 2011. Among other changes, Chapter 2011-68 provides:

Employee Contributions -

- Effective July 1, 2011, most FRS members must contribute 3% of their salary as retirement contributions, on a pre-tax basis, automatically deducted by the employer
- Members participating in the Deferred Retirement Option Program ("DROP") and re-employed retirees, who are not allowed to renew membership in the FRS, are not required to make 3% employee contributions

DROP -

- Members with an effective DROP begin date on or before June 30, 2011 will retain an annual interest rate of 6.5%
- The annualized DROP interest rate will be 1.3% for members whose DROP participation begins on or after July 1, 2011

Cost-of-Living Adjustment (COLA) -

- Members with an effective retirement date (includes DROP participation) before August 1, 2011 will retain their 3% post-retirement COLA
- Members with an effective retirement date or DROP begin date on or after August 1, 2011 will have an individually calculated COLA that is a reduction from 3% and will be calculated by dividing the total years of service before July 1, 2011 by the total years of service at retirement, and then multiplying the result by 3% to get the retiree's COLA
- Members initially enrolled on or after July 1, 2011, will not have a post-retirement COLA

Benefit changes for members first enrolled in the FRS on or after July 1, 2011 -

- Vesting requirement for FRS Pension Plan benefit eligibility is increased from 6 to 8 years of creditable service
- The average final compensation used in calculating retirement benefits is increased from the highest 5 fiscal years to the highest 8 fiscal years of salary
- Increased the “normal retirement date” for unreduced benefit eligibility
- For members of the Regular Class, Senior Management Service Class and Elected Officers Class, to
 - The first day of the month the member reaches age 65 (rather than 62) and is vested, or
 - The first day of the month following the month the member completes 33 (rather than 30) years of creditable service, regardless of age before age 65
- For members of the Special Risk Class, to
 - The first day of the month the member reaches age 60 (rather than 55) and is vested, or
 - The first day of the month following the month the member completes 30 (rather than 25) years of creditable service in the Special Risk Class, regardless of age before age 60

The table below shows the number of persons receiving benefits from the FRS Pension Plan, the total benefits paid, and the average benefits for the last five fiscal years.

Annuitants and Annualized Benefit Payments Under the FRS Pension Plan^{1,2}

Fiscal Year	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Annuitants	363,034	377,671	394,907	406,374	415,800
Benefits Payments (000 omitted)	\$7,175,496	\$7,731,851	\$8,389,673	\$8,873,268	\$9,323,302
Average Benefits	\$19,765	\$20,472	\$21,245	\$21,835	\$22,423

Source: Florida Department of Management Services, Division of Retirement. Florida Retirement System CAFRs.

¹ Figures include disability payments, General Revenue, Institute of Food and Agricultural Sciences Supplemental Program and TRS-SB, but do not include refunds of member contributions.

² Figures exclude FRS Investment Plan and DROP participants.

Funding and Financial Reporting of the FRS. The Governmental Accounting Standards Board (GASB) has adopted two accounting standards, GASB 67 (for reporting at the pension plan level) and GASB 68 (for employer reporting requirements including their allocation of net pension liability and pension expense), which require pension plans and employers to report total pension plan liabilities (Total Pension Liability), as well as the value of the plans’ assets (Fiduciary Net Position) and the unfunded portion of the liability (Net Pension Liability or NPL) in both the plans’ and the employers’ financial statements. GASB 67 was effective for plan fiscal years beginning after June 15, 2013, and GASB 68 was effective for employer fiscal years beginning after June 15, 2014.

Prior to GASB 67 and GASB 68, GASB 25 and GASB 27 gave public pension plans latitude as to funding methodologies and assumptions used in the determination of liabilities and contributions to meet the accounting standards. As a result of this latitude, it was often difficult to make comparisons between pension plans. GASB 25 required actuaries to develop a schedule of funding progress and an actuarial required contribution (ARC) as tools both to compare to other plans and gauge how the contributions from the funding valuation compared to the ARC. Over time, pensions plans adopted the same requirements in their funding valuation as the GASB valuation, blurring the comparison of the results from the funding valuation to the GASB valuation. GASB 67 and GASB 68 have once again separated the funding considerations from the financial reporting requirements. Employers will once again be able to compare the funding valuation contributions to the actuarially determined contribution (ADC) determined under the GASB 67 requirements and comparisons of retirement plans under GASB 67 and 68 will have a common basis. Total Pension Liability (TPL) is required to be reported under the individual entry age normal actuarial cost method regardless of the actuarial cost method used for funding purposes. The plans’ Fiduciary

Net Position (FNP) assets must be shown on a market value basis rather than the actuarial value of assets which is typically smoothed over a period of years to reduce volatility.

Valuation of Assets. The actuarial value of plan assets is necessary in order to determine the funded ratio of the plan by comparing the plan’s actuarial liabilities to its actuarial value of assets. A plan’s assets are generally valued either at the market value of assets (GASB valuation) or the Actuarial Value of Assets (funding valuation). The market value of assets looks at the fair market value of the assets as of a given point in time. The Actuarial Value of Assets reflects the value of plan assets as determined by the plans’ actuary for purposes of an actuarial valuation. The actuarial valuation measure reflects a five-year smoothing methodology (the “Asset Smoothing Method”), as required by Section 121.031(3)(a), Florida Statutes. Under the Asset Smoothing Method, the expected actuarial value of assets in the Florida Retirement System Trust Fund is determined by crediting the rate of investment return assumed in the valuation to the prior year’s actuarial value of assets and net cash flow. Then, 20% of the difference between the actual market value and the expected Actuarial Value of Assets is recognized each year in the smoothing period. The actuarial value of assets are also restricted by a 20% corridor around the market value of assets. The Actuarial Value of Assets used for the valuation is the lesser of the actuarial value described above or 120% of market value but not less than 80% of the market value. The Asset Smoothing Method prevents extreme fluctuations in the Actuarial Value of Assets, the Unfunded Actuarial Liability (UAL) and the funded ratio that may otherwise occur as a result of market volatility. Asset smoothing delays recognition of gains and losses and is intended to decrease the volatility of employer contribution rates. The Actuarial Value of Assets is not the market value of Florida Retirement System Trust Fund assets at the time of measurement. As a result, presenting the Actuarial Value of Assets using the Asset Smoothing Method might provide a more or less

favorable presentation of the current financial position of a pension plan than would a method that recognizes the full value of investment gains and losses annually.

The actuarial valuation of the FRS uses a variety of assumptions to calculate the actuarial liability and the Actuarial Value of Assets. No assurance can be given that any of the assumptions underlying the actuarial valuations will reflect the actual results experienced by the FRS. Variances between the assumptions and actual results may cause an increase or decrease in the actuarial value of assets, the actuarial liability, the UAL, or the funded ratio.

As of July 1, 2018, FRS actuarial determinations for funding purposes are based on the following:

Actuarial Cost Method: Ultimate Entry Age Normal

Amortization method: 30 year, Level Percentage of Pay, Closed, Layered
 Asset valuation method: 5-year Smoothed Method
 Investment rate of return: 7.40%¹
 Payroll growth rate: 3.25%
 Inflation level: 2.60%
 Post-retirement cost of living adjustments: 3.00%²

¹Changed to 7.40% beginning July 1, 2018. The Actuary has concluded that the 7.40% investment rate of return assumption, adopted by the FRS conference in October 2018, is unreasonable; consequently, an investment rate of 7.00% was used for GASB 67 reporting purposes.

² Granted only for pre-July 1, 2011 service.

The FRS is required to conduct an actuarial valuation of the plan annually. The valuation process includes a review of the major actuarial assumptions used by the plan actuary, which may be changed during the FRS Actuarial Assumptions Conference that occurs each fall. In addition, the FRS conducts an actuarial experience study every five years. The purpose of the experience study is to compare the actual plan experience with the assumptions for the previous five-year period and determine the adequacy of the non-economic actuarial assumptions including, for example, those relating to mortality, retirement, disability, employment, and turnover of the members and beneficiaries of the FRS. Based upon the results of this review and the recommendation of the actuary, the FRS Actuarial Assumptions Conference may adopt changes to such actuarial assumptions as it deems appropriate for incorporation beginning with the valuation following the experience study period.

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For GASB 67 reporting purposes, the following assumptions are used:

Actuarial Cost Method: Individual Entry Age Normal
 Amortization method: 30 year, Level Percentage of Pay, Closed, Layered
 Asset valuation method: Fair market value
 Investment rate of return: 7.00%¹
 Discount rate: 7.00%²
 Payroll growth rate: 3.25%
 Inflation level: 2.60%
 Post-retirement cost of living adjustments: 3.00%³

¹Changed to 7.00% beginning July 1, 2018. The Actuary has concluded that a 7.00% investment rate of return assumption is reasonable.

² The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees in determining the projected depletion date. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

³ Granted only for pre-July 1, 2011 service.

Assumed Investment Rate of Return. Both the actuarial funding valuation and the financial reporting valuation assume a long-term investment rate of return on the assets in the Florida Retirement System Trust Fund (7.75% through June 30, 2014; 7.65% from July 1, 2014 through June 30, 2016; 7.60% from July 1, 2016 through June 30, 2017; 7.50% from July 1, 2017 through July 1, 2018). The actuarial funding valuation beginning July 1, 2018 assumed a long-term investment rate of return on the assets in the Florida Retirement System Trust Fund of 7.40%, which the actuary concluded was unreasonable. The financial reporting valuation beginning July 1, 2018 used a long-term investment rate of return on the assets in the Florida Retirement System Trust Fund of 7.00%, which the actuary concluded was a reasonable assumed rate of return. This disparity, when combined with other actuarial assumptions, that are not considered best practice, contributes to differences between the Net Pension Liability figures reported in the financial reporting valuation and the Unfunded Actuarial Liability. Should the Florida Legislature continue to adopt long-term investment rate of return assumptions that differ from the rates the actuary determines to be reasonable, then the disparity between the Net Pension Liability and the Unfunded Actuarial Liability may increase over time. Due to the volatility of the marketplace, however, the actual rate of return earned by the Florida Retirement System Trust Fund on its assets may be higher or lower than the assumed rate. Changes in the Florida Retirement System Trust Fund's assets as a result of market performance will lead to an increase or decrease in the UAL/NPL and the funded ratio. The five-year Asset Smoothing Method required by Florida law for funding purposes attenuates the impact of sudden market fluctuations. Only a portion of these increases or decreases will be recognized in the current year, with the remaining gain or loss spread over the remaining four years.

Adverse market conditions resulted in negative investment returns on the Florida Retirement System Trust Fund's assets in Fiscal Years 2008 and 2009, contributing to (in conjunction with plan experience) a significant reduction in the Funded Ratio and a corresponding increase in the UAL. The table below shows the assumed and actual rates of Investment return for the last ten years, as well as the differences between the two, and additionally shows annualized annual returns from the most recent 3, 5, 10 and 15 year periods. No assurance can be given about future market performance and its impact on the UAL/NPL.

**Actual versus Assumed Rate of Returns
and Historical Performance**

Fiscal Year	Actual Rate of Return^{1,2}	Difference
2008-09	(19.71)%	(27.46)%
2009-10	14.00	6.25
2010-11	22.10	14.35
2011-12	0.29	(7.46)
2012-13	13.12	5.37
2013-14	17.40	9.75
2014-15	3.67	(3.98)
2015-16	0.54	(7.06)
2016-17	13.77	6.27
2017-18	8.98	1.58
Annualized Return for 3 Year Period of Fiscal Years 2016-2018 ³		7.62%
Annualized Return for 5 Year Period of Fiscal Years 2014-2018 ³		8.69%
Annualized Return for 10 Year Period of Fiscal Years 2009-2018 ³		6.85%
Annualized Return for 15 Year Period of Fiscal Years 2004-2018 ³		7.86%

- ¹ Actual return is determined on a fair market value of assets basis.
² For Fiscal Years through Fiscal Year 2008-09. The actual rate of return is obtained from Milliman's Actuarial Valuations. Beginning in Fiscal Year 2009-10, the actual rate of return is obtained from the Office of Economic and Demographic Research.
³ Information obtained from the Office of Economic and Demographic Research.

As of June 30, 2018, the Florida Retirement System Trust Fund was valued at \$160.4 billion (market value), and invested in the following asset classes and approximate percentages as follows:

56.1%	Global Equity
18.7%	Fixed Income
8.9%	Real Estate
7.1%	Private Equity
8.1%	Strategic Investments
1.1%	Cash

For additional information, see the Florida Retirement System Pension Plan Annual Report on the "Publications" page of the Division of Retirement's website or contact them at, P.O. Box 9000, Tallahassee, Florida 32315-9000.

Financial statements are prepared using the accrual basis of accounting, and reporting is done in accordance with Government Accounting Standards Board requirements.

For a discussion of investment policies, see "MISCELLANEOUS - Investment of Funds - *Investment by the Board of Administration*" in the body of this Official Statement.

Funded Status. As shown in the tables below, the value of the assets increased from \$150.6 billion in Fiscal Year 2017 to \$156.1 billion in Fiscal Year 2018 on an actuarial basis and increased from \$154.1 billion to \$161.2 billion on a market value basis. The actuarial liabilities computed for funding purposes increased from \$178.6 billion in Fiscal Year 2017 to \$186.0 billion in Fiscal Year 2018. As of end of Fiscal Year 2018, the FRS had an aggregate UAL of approximately \$29.9 billion on an actuarial basis (using the Asset Smoothing Method) and \$24.8 billion on a market value basis. The Fiscal Year 2018 Funded Ratios for the UALs are 83.95% (on an actuarial value basis) and 86.69% (on a market value basis). For financial reporting purposes, the Total Pension Liability increased from \$183.6 billion in Fiscal Year 2017 to \$191.3 billion in Fiscal Year 2018. As of the end of Fiscal Year 2018, the FRS had an aggregate NPL of approximately \$30.1 billion. The Funded Ratio for the NPL was 84.26%. The FRS is a multi-employer plan, which employees working for a state agency, county governmental unit, district school board, state university, state college or participating city, independent school district, charter school or metropolitan planning district may participate in. As such, the allocable portion of the UAL and NPL to the State, state agencies and universities ranged from 20.6% to 23.3%, based on percentage of contributions, over the six Fiscal Years 2013-2018.

The following tables summarize the current financial condition and the funding progress of the FRS. The first table shows the funded ratio using the Actuarial Value of Assets, based on the actuarial assumptions used to determine the appropriate funding level for the FRS each year. The second table shows the funded ratio using the same actuarial assumptions, but using the market value of assets. The third table shows the funding progress using the actuarial assumptions required for GASB 67 reporting purposes.

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Schedule of Funding Progress
Actuarial Value of Assets
(thousands of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AL) Entry Age (b)	Unfunded AL (UAL) (b-a)	Funded Ratio (%) (a/b)	Covered Payroll ¹ (c)	UAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2009	\$118,764,692	\$136,375,597	\$17,610,905	87.09%	\$26,554,114	66.32%
July 1, 2010	120,929,666	139,652,377	18,722,711	86.59	25,747,369	72.72
July 1, 2011	126,078,053	145,034,475	18,956,422	86.93	25,668,958	73.85
July 1, 2012	127,891,781	148,049,596	20,157,815	86.38	24,476,272	82.36
July 1, 2013	131,680,615	154,125,953	22,445,338	85.44	24,553,693	91.41
July 1, 2014	138,621,201	160,130,502	21,509,301	86.56	24,723,565	87.00
July 1, 2015	143,195,531	165,548,928	22,353,397	86.50	32,726,034	68.30
July 1, 2016	145,451,612	170,374,609	24,922,997	85.37	33,214,217	75.04
July 1, 2017	150,593,242	178,579,116	27,985,874	84.33	33,775,800	82.86
July 1, 2018	156,104,350	185,950,079	29,845,729	83.95	34,675,018	86.07

Source: Florida Department of Management Services, Division of Retirement, Florida Retirement System Annual Reports for Fiscal Years 2009 through 2013 and the FRS CAFRS for Fiscal Years 2014 through 2018. Beginning in Fiscal Year 2014, some information is obtained from the FRS Pension Plan Actuarial Valuations.

¹ For the Fiscal Years ending 2014 and before, covered payroll shown includes defined benefit plan actives and members in DROP, but excludes the payroll for Investment Plan members and payroll on which only UAL rates are charged. For the Fiscal Years 2015 and later, covered payroll shown includes the payroll for Investment Plan members, reemployed retirees without membership and other optional program payrolls on which only UAL rates are charged. For comparative purposes, the payroll for Fiscal Year ending 2015 on the basis shown in years 2014 and earlier is \$25,063,048,000.

Schedule of Funding Progress
Market Value of Assets
(thousands of dollars)

Fiscal Year	Market Value of Assets ¹ (a)	Actuarial Liability (AL) Entry Age ² (b)	Unfunded AL (UAL) (b-a)	Funded Ratio (%) (a/b)	Covered Payroll ³ (c)	UAL as a Percentage of Coverage Payroll ((b-a)/c)
2009	\$96,503,162	\$136,375,597	\$39,872,435	70.76%	\$26,554,114	150.16%
2010	107,179,990	139,652,377	32,472,387	76.75	25,747,369	126.12
2011	126,579,720	145,034,475	18,454,755	87.28	25,668,958	71.90
2012	119,981,465	148,049,596	28,068,131	81.04	24,476,272	114.67
2013	129,672,088	154,125,953	24,453,865	84.13	24,553,693	99.59
2014	150,014,292	160,130,502	10,116,210	93.68	24,723,565	40.92
2015	148,454,394	165,548,928	17,094,534	89.67	32,726,034	68.21
2016	141,780,921	170,374,609	28,593,688	83.22	33,214,217	86.09
2017	154,053,263	178,579,116	24,525,853	86.27	33,775,800	72.61
2018	161,196,881	185,950,079	24,753,198	86.69	34,675,018	71.39

¹ Source: Florida Department of Management Services, Division of Retirement, Florida Retirement System Annual Reports for Fiscal Years 2009 through 2013 and the FRS CAFRS for Fiscal Years 2014 through 2018. Beginning in Fiscal Year 2014, some information is obtained from the FRS Pension Plan Actuarial Valuations.

² Source: Florida Department of Management Services, Division of Retirement, Florida Retirement System Annual Reports for Fiscal Years 2009 through 2013 and the FRS CAFRS for Fiscal Years 2014 through 2018. Beginning in Fiscal Year 2014, some information is obtained from the FRS Pension Plan Actuarial Valuations. Actuarial Liability is determined as of the July 1 immediately after the end of each Fiscal Year.

³ Source: Florida Department of Management Services, Division of Retirement, Florida Retirement System Annual Reports for Fiscal Years 2008 through 2013 and the FRS CAFRS for Fiscal Years 2014 through 2018. Beginning in Fiscal Year 2014, some information is obtained from the FRS Pension Plan Actuarial Valuations. For the Fiscal Years ending 2014 and before, covered payroll shown includes defined benefit plan actives and members in DROP, but excludes the payroll for Investment Plan members and payroll on which only UAL rates are charged. For the Fiscal Years 2015 and later, covered payroll shown includes the payroll for Investment Plan members and payroll on which only UAL rates are charged. For comparative purposes, the payroll for Fiscal Year ending 2015 on the basis shown in years 2014 and earlier is \$25,063,048,000.

Schedule of Funding Progress
GASB 67 Reporting
(thousands of dollars)

Fiscal Year	Fiduciary Net Position ¹ (a)	Total Pension Liability (TPL) Entry Age ¹ (b)	Net Pension Liability (NPL) (b-a)	Funded Ratio (%) (a/b)	Covered Payroll ² (c)	NPL as a Percentage of Coverage Payroll (b-a)/c)
2014	\$150,014,292	\$156,115,763	\$ 6,101,471	96.09%	\$24,723,565	24.68%
2015	148,454,394	161,370,735	12,916,341	92.00	32,726,034	39.47
2016	141,780,921	167,030,999	25,250,078	84.88	33,214,217	76.02
2017	154,053,263	183,632,592	29,579,329	83.89	33,775,800	87.58
2018	161,196,881	191,317,399	30,120,518	84.26	34,675,018	86.87

¹ Source: Florida Department of Management Services, Division of Retirement, Florida Retirement System Comprehensive Annual Financial Reports.

² Source: Florida Department of Management Services, Division of Retirement, Florida Retirement System Comprehensive Annual Financial Reports. For the Fiscal Years ending 2014 and before, covered payroll includes the normal cost and UAL payroll of active Pension Plan members and reemployed retirees without renewed membership, but excludes the payroll for Investment Plan members and payroll on which only UAL rates are charged. For Fiscal Years 2015 and later, covered payroll includes the normal cost and UAL payroll for active Pension Plan and Investment Plan members and payroll of reemployed retirees without renewed membership and the salaries of SMSOAP, SUSORP, and SCCSORP members. For comparative purposes, the payroll for Fiscal Year ending 2015 on the basis shown in years 2014 and earlier is \$25,063,048,000.

The following table shows employer contributions to the FRS Pension Plan for Fiscal Years 2008 through 2018. Annually, the FRS's actuary recommends rates, determined as a percentage of employee payrolls that FRS employers must contribute to fully fund their annual pension obligations. The Actuarially Determined Contribution (the "ADC") is a target contribution to the FRS Pension Plan for the reporting period, determined based on the funding policy and most recent measurement available when the contribution for the reporting period was adopted. The ADC is comprised of the FRS Pension Plan's Normal Cost plus any Unfunded Actuarial Liability, which is also called the Actuarially Determined Contribution (the "ADC"). The ADC reflects only the actuarially determined employer contributions. The Florida Legislature adopts rates that all participating FRS employers must pay on behalf of their employees, which may or may not correspond to the actuary's recommended rates.

In the table below during Fiscal Years 2008 through 2009, the FRS Pension Plan was in an actuarial surplus position. Florida law allows a portion of the actuarial surplus assets to be recognized to reduce the ADC, therefore lowering the required rates and contributions FRS employers must make on behalf of employees to the FRS Pension Plan. In addition, the Florida Legislature failed to adopt rates sufficient to fully fund the ADC between Fiscal Years 2011 through 2013. Failure to adopt rates sufficient to fully fund the ADC exacerbates the impact of investment earnings below the return assumption that contribute to the decline in the funded status of the FRS.

For Fiscal Years 2014 through 2018, the Florida Legislature adopted the employer contribution rates recommended by the actuary which fully funded the ADC. The Florida Legislature continued to adopt the actuarially recommended employer contribution rates for the FRS Pension Plan for Fiscal Year 2019. The Florida Legislature adopted employer contribution rates to fully fund the ADC for Fiscal Year 2019; however, the ADC was calculated using certain assumptions that are not based on actuarial best practices and an investment rate of return assumption that the actuary has deemed unreasonable.

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Employer Contributions to the FRS Pension Fund
(thousands of dollars)

Fiscal Year	State Employer Contributions (a)	Non-State Employer Contributions (b)	Total Employer Contributions (a+b)	Actuarially Determined Contribution (ADC)¹ (c)	Percent of ADC Contributed (a+b)/c	Amount of ADC Unfunded c-(a+b)
2008	\$560,990	\$2,232,013	\$2,793,002	\$2,612,672	106.90%	\$(180,330)
2009	575,035	2,229,146	2,804,181	2,535,854	110.58	(268,327)
2010	570,420	2,144,136	2,714,556	2,447,374	110.92	(267,182)
2011	648,006	2,377,183	3,025,189	3,680,042 ²	82.21	654,853
2012 ³	226,098	925,901	1,151,999	1,962,816	58.70	810,817
2013 ⁴	276,947	1,068,752	1,345,698	2,091,343	63.95	753,902
2014 ⁵	496,739	1,693,685	2,190,424	2,190,424	100.00	0
2015 ⁶	564,233	1,873,852	2,438,085	2,438,085	100.00	0
2016 ⁷	569,154	1,869,505	2,438,659	2,438,659	100.00	0
2017 ⁸	594,497	2,008,749	2,603,246	2,603,246	100.00	0
2018 ^{9,10}	N/A	N/A	2,849,920	2,849,920	100.00	0

Source: Florida Department of Management Services, Division of Retirement, Florida Retirement System Annual Reports for Fiscal Years 2008 through 2013 and the FRS CAFRs for Fiscal Years 2014 and 2015. Beginning in Fiscal Year 2014, some information is obtained from the FRS Pension Plan Actuarial Valuations.

¹ For fiscal years prior to 2014 the Annual Required Contribution ("ARC") under GASB Statement No. 27 is shown.

² The increase in the ARC between Fiscal Year 2010 and 2011 primarily resulted from elimination of the surplus, which was used to reduce the rates and contributions necessary to fully fund the ADC, and significant market losses, which increased the unfunded liability, and therefore the ADC.

³ Beginning in Fiscal Year 2012, both the ADC and the employer contributions which fund the ADC, reflects FRS plan changes that reduced retirement benefits and required employees to contribute 3% of their salaries to the FRS. Required employer contributions decreased by the amount of the employee contributions totaling \$674.2 million.

⁴ Employee contributions totaled \$694.9 million.

⁵ Employee contributions totaled \$699.6 million.

⁶ Employee contributions totaled \$698.3 million.

⁷ Employee contributions totaled \$710.7 million.

⁸ Employee contributions totaled \$744.8 million.

⁹ Employee contributions totaled \$740.7 million.

¹⁰ Breakdown of Employer Contributions between State and Non-State employers is not yet available.

RETIREE HEALTH INSURANCE SUBSIDY AND OTHER POSTEMPLOYMENT BENEFITS

(The information contained under the heading "RETIREE HEALTH INSURANCE SUBSIDY AND OTHER POSTEMPLOYMENT BENEFITS" has been obtained from the State of Florida's and Florida Retirement System Pension Plan and other State Administered Systems Comprehensive Annual Financial Reports except as otherwise indicated.)

Retiree Health Insurance Subsidy Program

The Retiree Health Insurance Subsidy ("HIS") Program is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, F.S. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the HIS Program. The benefit is a monthly payment to assist eligible retirees and surviving beneficiaries of state-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Department of Management Services. For the Fiscal Year ended June 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by \$5. The payments are at least \$30 but not more than \$150 per month, pursuant to Section 112.363, F.S. To be

eligible to receive a HIS benefit, a retiree under a state-administered retirement system must provide proof of health insurance coverage, which can include Medicare. The HIS Program is funded by required contributions from FRS participating employers as set by the Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. Effective July 1, 2015, the statutorily required contribution rate pursuant to Section 112.363, F.S. increased to 1.66% of payroll. The State has contributed 100% of its statutorily required contributions for the current and preceding two years. HIS contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, the legislature may reduce or cancel HIS payments.

Information relating to the statutorily required State contribution, benefits paid and the resulting trust fund assets is shown below, for Fiscal Years ending June 30.

Retiree Health Insurance Subsidy Program Information
(in thousands where amounts are dollars)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Recipients	310,139	323,098	336,529	349,865	366,285	376,031
Contributions	\$327,574	\$342,566	\$382,262	\$512,564	\$529,229	\$542,539
Benefits Paid	\$390,973	\$407,276	\$425,086	\$449,857	\$465,980	\$491,530
Trust Fund Net Assets	\$157,928	\$93,385	\$50,774	\$113,859	\$178,311	\$232,463

Beginning with Fiscal Year 2007, the Department of Management Services has obtained biennial actuarial valuations of assets and liabilities of the HIS Program.

HIS actuarial determinations are based on the following:

Valuation Date:	July 1, 2018
Actuarial Cost Method:	Individual Entry Age
Amortization method:	Level Percentage of Pay, Open
Equivalent Single amortization period:	30 years ¹
Asset valuation method:	Fair Market Value
Actuarial Assumptions:	
	Discount rate: 3.87% ^{2,3}
	Projected salary increases: 3.25% ²
	Cost of living adjustments: 0.00%

Source: Florida Department of Management Services, Division of Retirement.

¹ Used for GASB Statement #67 reporting purposes.

² Includes inflation at 2.60%.

³ In general, the discount rate used for calculating the HIS liability under GASB 67 is equal to the single rate that results in the same Actuarial Present Value as would be calculated by using two different discount rates as follows: (1) Discount at the long-term expected rate of return for benefit payments prior to the projected depletion of the fiduciary net position (trust assets); and (2) Discount at a municipal bond rate for benefit payments after the projected depletion date. Because the HIS is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to a long-duration, high-quality, tax-exempt municipal bond rate selected by the plan sponsor. In September 2014 the Actuarial Assumptions Conference adopted the Bond Buyer General Obligation 20-Bond Municipal Bond Index as the applicable municipal bond index. As a result, the discount rate will change annually.

The following two tables summarize the funding progress of the Retiree Health Insurance Subsidy Program. The first table shows the funded ratio, using the Actuarial Value of Assets, based on the actuarial assumptions used to determine the appropriate funding level for the Retiree Health Insurance Subsidy Program each year. The second table shows the funding progress using the actuarial assumptions required for GASB 67 reporting purposes.

Retiree Health Insurance Subsidy Program Schedule of Funding Progress
Actuarial Value of Assets
(dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)²	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annualized Covered Payroll¹ (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2006	\$192,808	\$4,667,058	\$4,474,250	4.13%	\$27,712,320	16.15%
July 1, 2008	\$275,139	\$5,109,683	\$4,834,544	5.38%	\$30,665,477	15.77%
July 1, 2010	\$291,459	\$8,464,530	\$8,173,071	3.44%	\$31,717,281	25.77%
July 1, 2012	\$220,346	\$9,018,467	\$8,798,121	2.44%	\$31,345,990	28.07%

Source: State of Florida Comprehensive Annual Financial Reports and Florida Department of Management Services, Division of Retirement.

¹ Includes DROP and PEORP payroll.

² The actuarially assumed investment rate of return fluctuates annually as noted in HIS assumptions on prior page.

Retiree Health Insurance Subsidy Program Schedule of Funding Progress ¹

GASB 67 Reporting

(in thousands where amounts are dollars)

June 30	Fiduciary Net Position (FNP)² (a)	Total Pension Liability (TPL) Entry Age² (b)	Net Pension Liability (NPL) (b-a)	Funded Ratio (%) (FNP as % of TPL) (a/b)	Covered Payroll^{2,3} (c)	NPL as a Percentage of Coverage Payroll (b-a)/c)
2014	\$93,385	\$9,443,629	\$9,350,244	0.99%	\$29,676,340	31.51%
2015	\$50,774	\$10,249,201	\$10,198,427	0.50%	\$30,340,449	33.61%
2016	\$113,859	\$11,768,445	\$11,654,586	0.97%	\$30,875,274	37.75%
2017	\$178,311	\$10,870,772	\$10,692,461	1.64%	\$31,885,633	33.53%
2018	\$232,463	\$10,816,576	\$10,584,112	2.15%	\$32,670,918	32.40%

¹ This schedule will fill in to a ten year schedule as results for new fiscal years are calculated.

² Source: Florida Department of Management Services, Division of Retirement, Florida Retirement System Comprehensive Annual Financial Reports.

³ Covered payroll includes the normal cost and UAL payroll for active Pension Plan and Investment Plan members and payroll of reemployed retirees without renewed membership.

Schedule of Employer Contributions

(dollars in thousands)

Fiscal Year Ended June 30	Annual Required Contribution (ARC)¹	Actual Contribution	Contribution as a Percentage of ARC
2007	\$363,175	\$326,052	90%
2008	\$391,847	\$334,819	85%
2009	\$395,256	\$341,569	86%
2010	\$409,546	\$332,023	81%
2011	\$563,907	\$334,449	59%
2012	\$584,600	\$322,610	55%
2013	\$539,831	\$327,575	60%
2014	n/a	\$342,566	n/a
2015	n/a	\$382,262	n/a
2016	n/a	\$512,564	n/a
2017	n/a	\$529,229	n/a
2018	n/a	\$542,539	n/a

Source: State of Florida Comprehensive Annual Financial Reports and Florida Department of Management Services, Division of Retirement.

¹ The Annual Required Contribution (ARC) is the actuarially determined cost of the benefits allocated to the current year, consisting of the normal cost, that is the portion of the actuarial present value of the benefits and expenses which is allocated to a valuation year, and a payment to amortize the unfunded actuarial accrued liability. Beginning in Fiscal Year 2014, the ARC has been eliminated under GASB 67 and is no longer relevant for financial reporting purposes.

Other Postemployment Benefits (OPEB)

The following information is based on prior GASB reporting requirements for OPEB. GASB reporting requirements for OPEB have subsequently changed due to the implementation of GASB 75 and the new information is not readily comparable to the prior reported data. For Fiscal Year ended June 30, 2018 OPEB information, which conforms to GASB 75 reporting requirements, please see the State of Florida Comprehensive Annual Financial Report, which is included as Appendix B to this Official Statement. The following information is based on the July 1, 2016 interim update of the July 1, 2015 actuarial valuation of the State Employees' Health Insurance Program.

Plan Description

The State Employees' Group Health Insurance Program ("Program") operates as a cost-sharing multiple-employer defined benefit health plan; however, current administration of the Program is not through a formal trust and therefore disclosure requirements are those applicable to an agent multiple-employer plan. The Division of State Group Insurance within the Department of Management Services is designated by Section 110.123, F.S., to be responsible for all aspects of the

purchase of healthcare for state and university employees and retirees under the Program.

The State implicitly subsidizes the healthcare premium rates paid by retirees by allowing them to participate in the same group health plan offered to active employees. Although retirees pay 100% of the premium amount, the premium cost to the retiree is implicitly subsidized due to commingling of the claims experience in a single risk pool with a single premium determination for active employees and retirees under age 65. Section 110.123, F.S., authorizes the offering of health insurance benefits to retired state and university employees. Section 112.0801, F.S., requires all public employers that offer benefits through a group insurance plan to allow their retirees to continue participation in the plan. The law also requires the claims experience of the retirees under 65 group to be combined with the claims experience of active employees for premium determination and the premium offered to retired employees to be no more than the premium applicable to active employees. Retirees under age 65 pay the same premium amounts as applicable to active employees. Retirees over age 65 are included in the overall risk pool but pay a lesser premium amount than is applicable to active employees because the plan is secondary payer to Medicare Parts A and B. Retirees are required to enroll in the Medicare program as soon as they are eligible.

There are 21 participating employers including the primary government of the State, the 12 State universities, and other governmental entities. There was an enrollment of 175,654 subscribers including 35,273 retirees at July 1, 2017. COBRA subscribers accounted for an additional 516 members. Employees must make an election to participate in the plan within 60 days of the effective date of their retirement to be eligible to continue in the plan as a retiree. Four types of health plans are offered to eligible participants: a standard statewide Preferred Provider Organization (“PPO”) Plan, a high deductible PPO Plan, a standard Health Maintenance Organization (“HMO”) Plan, and a high deductible HMO Plan. HMO coverage is available only to those retirees who live or work in the HMO’s service area. The four PPO and HMO options are considered managed-care plans and have specific provider networks.

Funding Policy

Benefit provisions are described by Section 110.123, F.S. and, along with contributions, can be amended by the Florida Legislature. The State has not advance-funded OPEB costs or the net OPEB obligation. The Self-Insurance Estimating Conference develops official information for determining the budget levels needed for the State’s planning and budgeting process. The Governor’s recommended budget and the General Appropriations Act provide for a premium level necessary for funding the program each year on a pay-as-you-go basis.

Monthly premiums, through June 2017 coverage, for active employees and retirees under the age of 65 for the standard plan were \$693 and \$1,560 for single and family contracts, respectively. Retirees over the age of 65 pay premiums for a Medicare supplement. Monthly premiums, through June 2017 coverage, for the standard PPO Plan were \$388 for a single contract, \$777 for two Medicare eligible members, and \$1,120 for a family contract when only one member is Medicare eligible.

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the

The following disclosure regarding OPEB Schedule of Funding Progress and Schedule of Employer Contributions relate to the cost-sharing plan as a whole, of which the State of Florida is one participating employer.

Other Postemployment Benefits Schedule of Funding Progress
(thousands of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a) ¹	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annualized Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2007	--	\$3,081,834	\$3,081,834	0.00%	\$6,542,945	47.10%
July 1, 2008	--	\$2,848,428	\$2,848,428	0.00%	\$6,492,858	43.87%
July 1, 2009	--	\$4,831,107	\$4,831,107	0.00%	\$7,318,965	66.01%
July 1, 2010 ²	--	\$4,545,845	\$4,545,845	0.00%	\$7,574,317	60.02%
July 1, 2011	-	\$6,415,754	\$6,415,754	0.00%	\$7,256,798	88.41%
July 1, 2012 ²	-	\$6,782,210	\$6,782,210	0.00%	\$7,188,525	94.35%
July 1, 2013	-	\$7,487,708	\$7,487,708	0.00%	\$7,467,560	100.27%
July 1, 2014 ²	-	\$6,824,971	\$6,824,971	0.00%	\$7,308,275	93.39%
July 1, 2015	-	\$8,900,312	\$8,900,312	0.00%	\$7,810,110	113.96%
July 1, 2016	-	\$9,198,289	\$9,198,289	0.00%	\$7,847,743	117.21%

Source: State of Florida Comprehensive Annual Financial Reports and Florida Department of Management Services, Division of State Group Insurance.

¹ The State of Florida does not hold assets in a formal trust, so none are actuarially valued to offset the liability.

² Update of the previous year’s actuarial valuation. A new valuation was not performed.

future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The entry age normal actuarial cost method was used for the July 1, 2016 interim update of the July 1, 2015 actuarial valuation. This method allocates the value of a member’s benefit as a level percentage of pay between entry age and retirement age. Allocating costs as a level percentage of pay, even though the benefits are not pay-related, helps with budgeting for these employee benefits costs as a percentage of payroll. Actuarial assumptions included a 3% inflation rate, a 4% return on invested assets, and a 3.25% payroll growth rate. Initial healthcare cost trend rates used for the PPO Plans are 3.1%, 7.5%, 8.8%, and 9.7% for the first four years followed by 10.1% in the fifth year, then grading to 3.9%, over the course of 60 years. For the HMO Plans - Pre-Medicare, initial healthcare cost trend rates of 3.0%, 5.7%, 7.0%, and 7.8% are used for the first four years followed by 8.4% in the fifth year, then grading to 3.9% over the course of 60 years. For the PPO Plans - Post Medicare, initial healthcare cost trend rates of 3.1%, 7.5%, 8.8%, and 9.5% are used for the first four years followed by 10% in the fifth year, then grading to 3.9% over the course of 60 years. For the HMO Plans -Post Medicare, initial healthcare cost trend rates of 3.0%, 5.7%, 7.0%, and 7.6% are used for the first five years followed by 9.4% in the sixth year, then grading to 4.0% over the course of 60 years. The unfunded actuarial accrued liability is being amortized as a level percentage of pay - on an open basis, over a 30 year period.

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

Schedule of Employer Contributions
(thousands of dollars)

Fiscal Year Ended June 30	Annual Required Contribution (ARC)¹	Actual Contribution as a Percentage of ARC
2008	\$200,973	43.70%
2009	\$186,644	54.36%
2010	\$336,419	30.87%
2011	\$313,415	32.80%
2012	\$455,584	27.07%
2013	\$452,658	28.50%
2014	\$541,600	22.34%
2015	\$489,619	21.48%
2016	\$716,408	20.60%
2017	\$724,444	23.64%

Source: State of Florida Comprehensive Annual Financial Reports.

¹ The Annual Required Contribution is the actuarially determined cost of the benefits allocated to the current year, consisting of the normal cost, that is the portion of the actuarial present value of the benefits and expenses which is allocated to a valuation year, and a payment to amortize the unfunded actuarial accrued liability.

The following disclosure relates only to the State of Florida's share of the OPEB. The State of Florida's participation in both the annual required contribution and the actuarial accrued liability is approximately 76%.

Actuarially-Determined Annual OPEB Cost and Net OPEB Obligation as of June 30, 2017 (dollars in thousands):

Annual Required Contribution (ARC)	\$ 538,394
Interest on the Net OPEB Obligation	77,755
Adjustments to the ARC	(71,825)
Annual OPEB Cost	544,324
Employer Contribution	(134,633)
Increase/Decrease in the Net OPEB Obligation	409,691
Net OPEB Obligation - July 1, 2017	1,943,878
Net OPEB Obligation - June 30, 2017	\$2,353,569
Percent of annual OPEB cost contributed	24.73%

Funded Status - State Share

The funded status of the plan as of June 30, 2017, was as follows (dollars in thousands):

Actuarial valuation date	July 1, 2016
Actuarial accrued liability (AAL)	\$7,010,893
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$7,010,893
Actuarial value of assets as a percentage of the AAL	0.00%
Covered payroll	\$4,427,783
UAAL as a percentage of covered payroll	158.34%

Source: State of Florida Comprehensive Annual Financial Reports.