

Florida: An Economic Overview

December 10, 2008

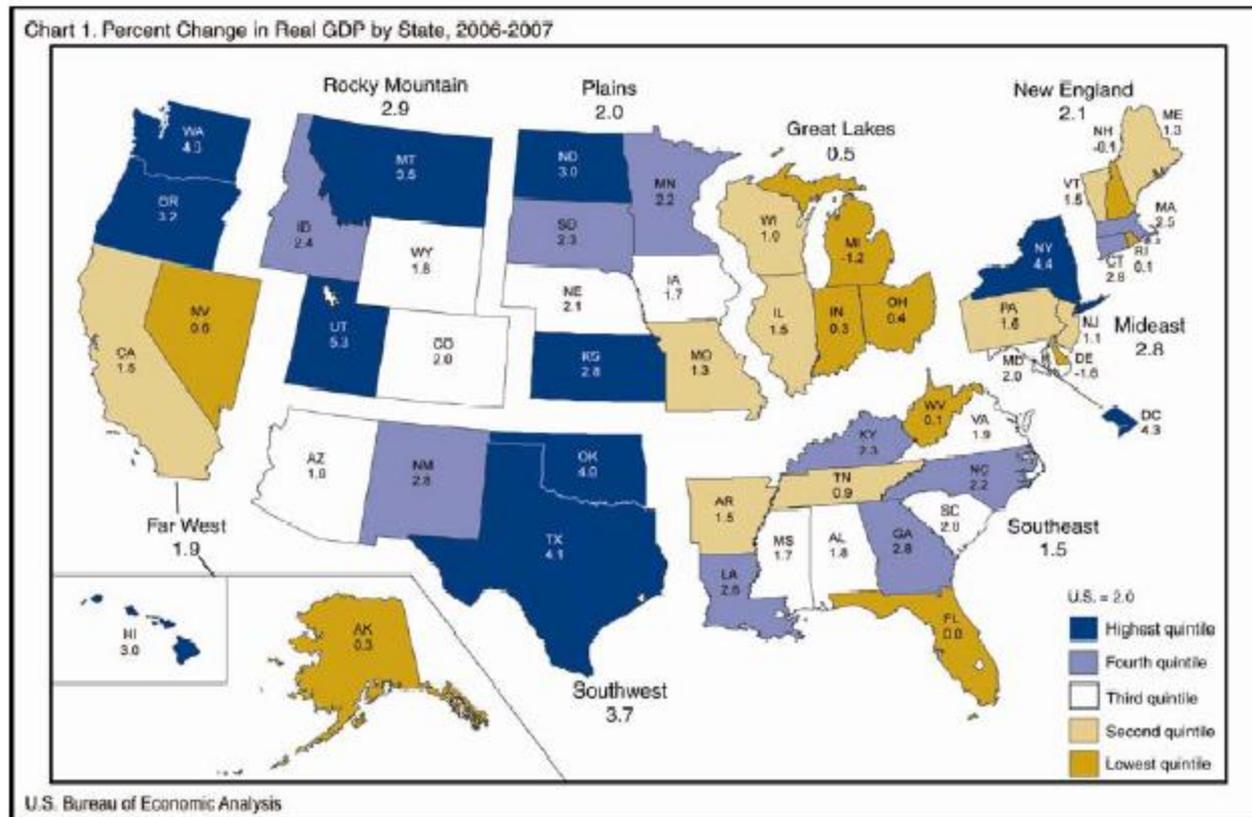
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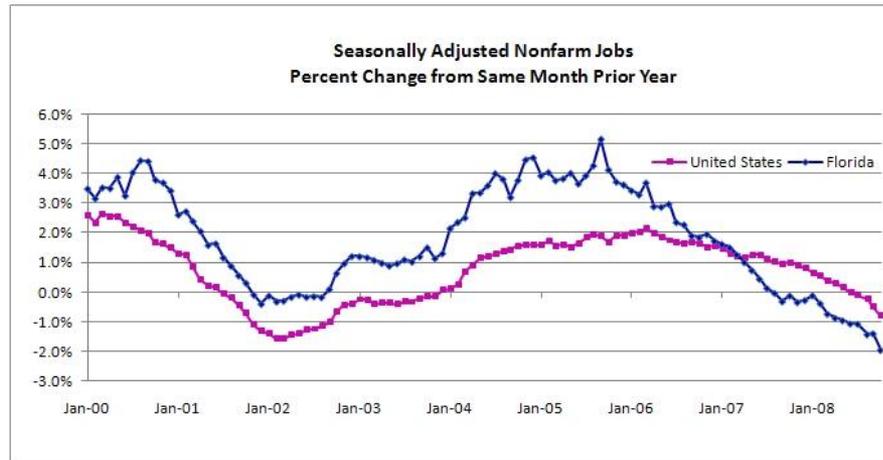
The Florida Legislature
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More Measured Economy

- Florida's growth is now decelerating. State Gross Domestic Product (GDP) ranks us 47th in the nation in real growth (12th in 2006 and 2nd in 2005) and 35th in per capita level.



Employment Softens



Source: Florida Agency for Workforce Innovation, Labor Market Statistics Center, Current Employment Statistics Program in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

Oct (YOY)
 US -0.8%
 FL -1.9%
 (-156,200 jobs)

United States and Florida Unemployment Rates (seasonally adjusted)



Source: Florida Agency for Workforce Innovation, Labor Market Statistics Center, Local Area Unemployment Statistics Program in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

October
 US 6.5
 FL 7.0
 (655,000 people)

Projected
 FL 8.1
 Late Summer 09

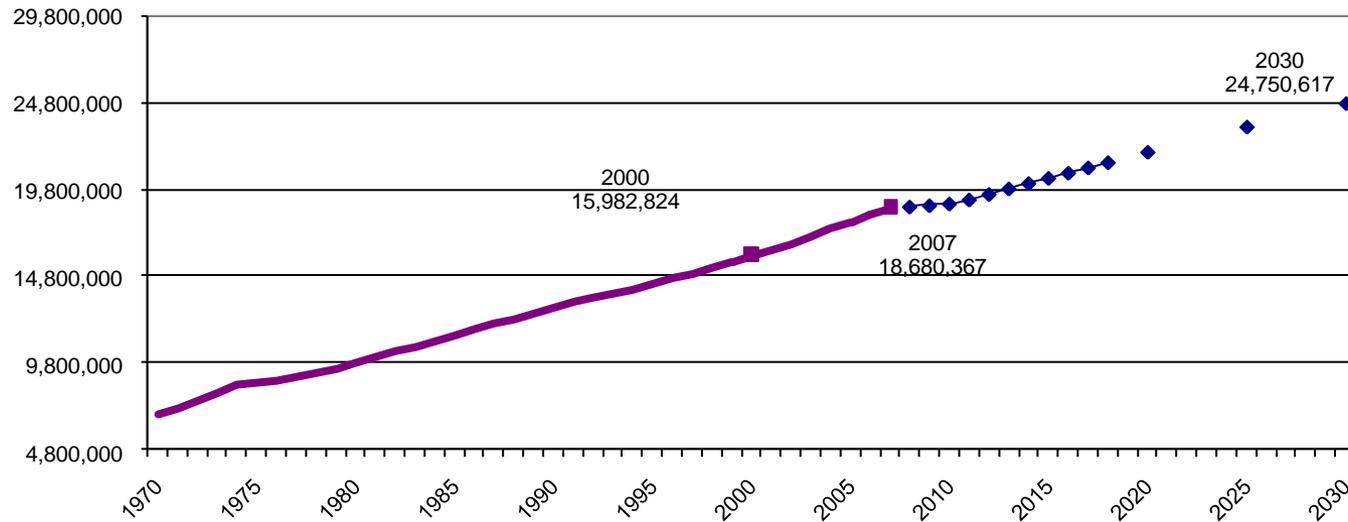


Population Growth Slowing

- Population growth continues to be the state's primary engine of economic growth, fueling both employment and income growth.
- Population growth hovered between 2.0% and 2.6% from the mid 1990's to 2006, then began to slow – only reaching 0.7% in 2008. Over the forecast horizon, population growth will rebound slightly – averaging 1.1% between 2025 and 2030.
- Florida is on track to break the 20 million mark in 2014, becoming the third most populous state sometime before then – surpassing New York.



Florida's April 1 Population

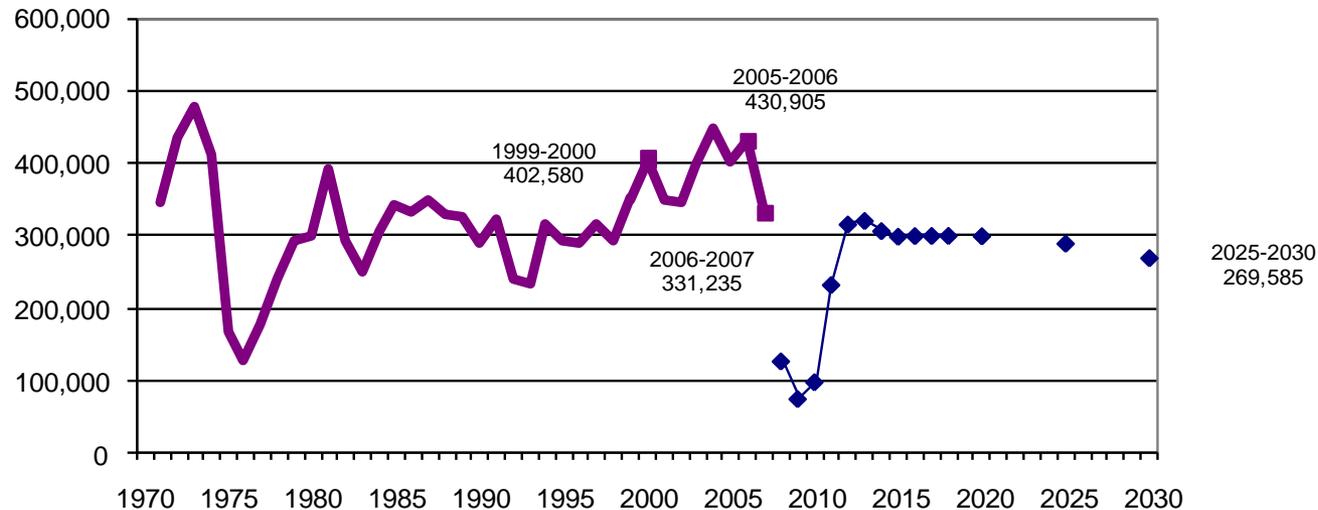


Florida's population:

- was 15,982,824 in 2000
- was 18,680,367 in 2007
- is forecast to grow to 24,750,617 by 2030



Florida's Population Growth



Population increased by:

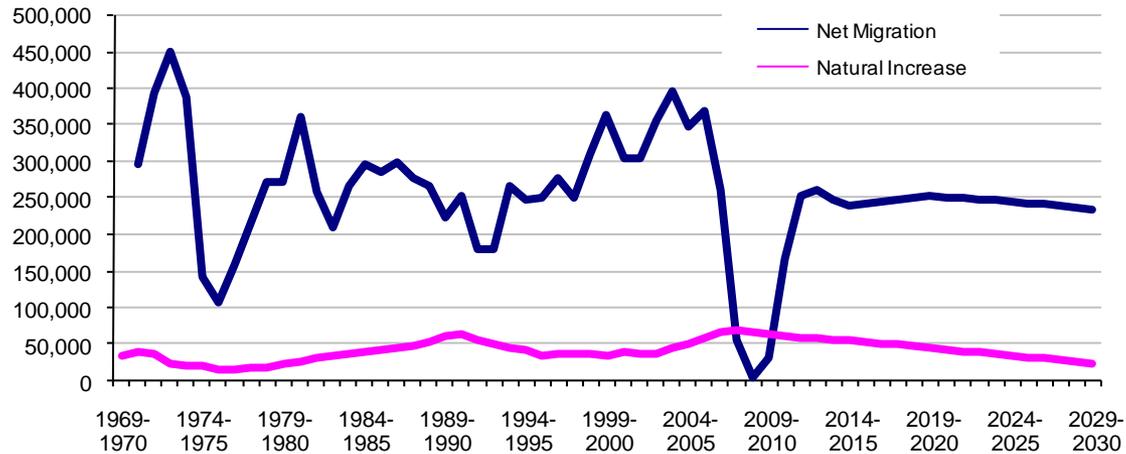
- 402,580 between 1999 and 2000
- 445,224 between 2003 and 2004
- 331,235 between 2006 and 2007
- 126,735 between 2007 and 2008 (estimated)

Population is forecast to increase on average by:

- 299,846 between 2015 and 2020
- 289,630 between 2020 and 2025
- 269,585 between 2025 and 2030



Population Components



- Most of Florida's population growth is from net migration, representing about 79 percent of Florida's population growth between 2006 and 2007.
- In 2030, net migration is forecast to represent 90.9 percent of Florida's population growth.

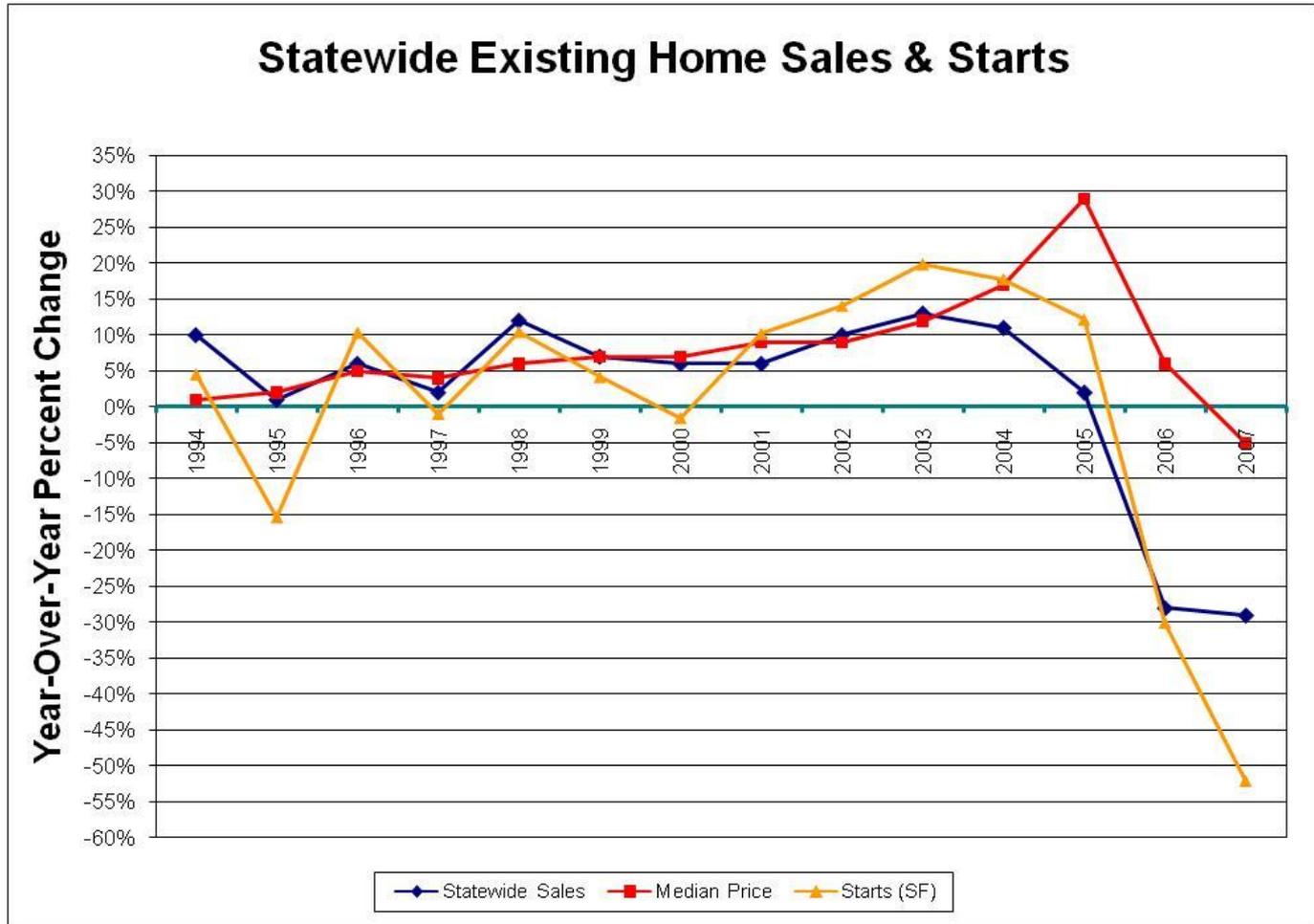


The Reasons?

- US economy is being simultaneously buffeted by three major shocks:
 - Home prices have fallen at the national level for the first time since the Great Depression (down 17% so far).
 - Financial markets are experiencing their worst credit crunch since the late 1980s at best – maybe since the Great Depression, and
 - The U.S. recession is spreading globally, causing additional feedback loops.
- Florida has been particularly hit hard by the two housing-related shocks: home prices and credit tightening.



Florida Housing



Existing Home Sales



	2005	2006	2007	2008
January	10%	-19%	-27%	-28%
February	6%	-20%	-23%	-25%
March	6%	-22%	-28%	-26%
April	3%	-31%	-26%	-9%
May	7%	-24%	-34%	-5%
June	-3%	-29%	-30%	-5%
July	-8%	-33%	-24%	0%
August	4%	-34%	-26%	-4%
September	33%	-34%	-38%	24%
October	-5%	-22%	-29%	15%
November	1%	-30%	-30%	
December	-15%	-28%	-31%	



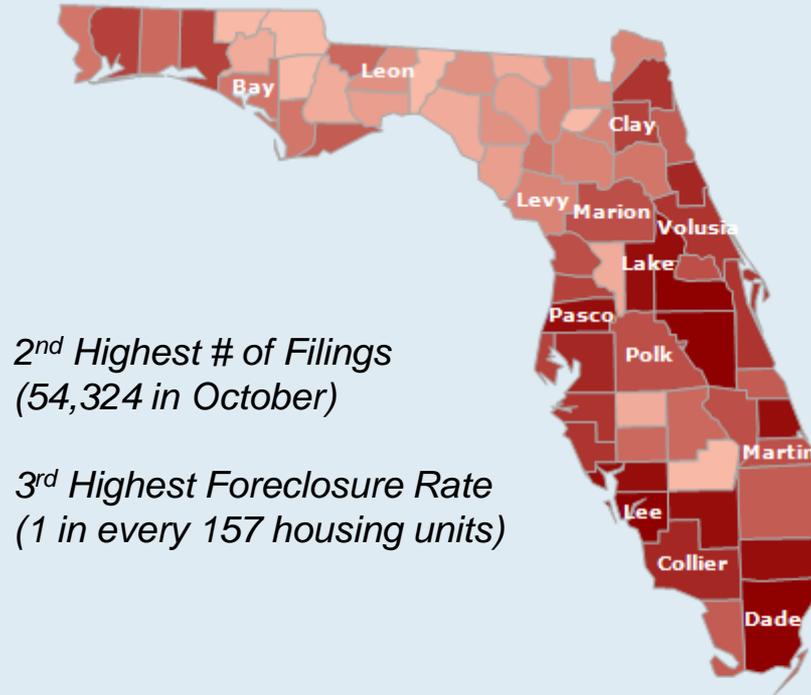
Overhang

- The national inventory of homes is above 11 months.
- In Florida, the excess supply of homes is likely greater than 300,000.
- Subtracting the “normal” inventory and using the most recent sales experience, Florida would need significant time to work off the current excess:
 - January to March, 2010...Optimistic
 - July to September, 2010...Pessimistic



Foreclosure Filings

Properties with Foreclosure Filings in October, 2008



Foreclosure Actions to Housing Units

1 in 79 Housing Units

1 in 3,926 Housing Units

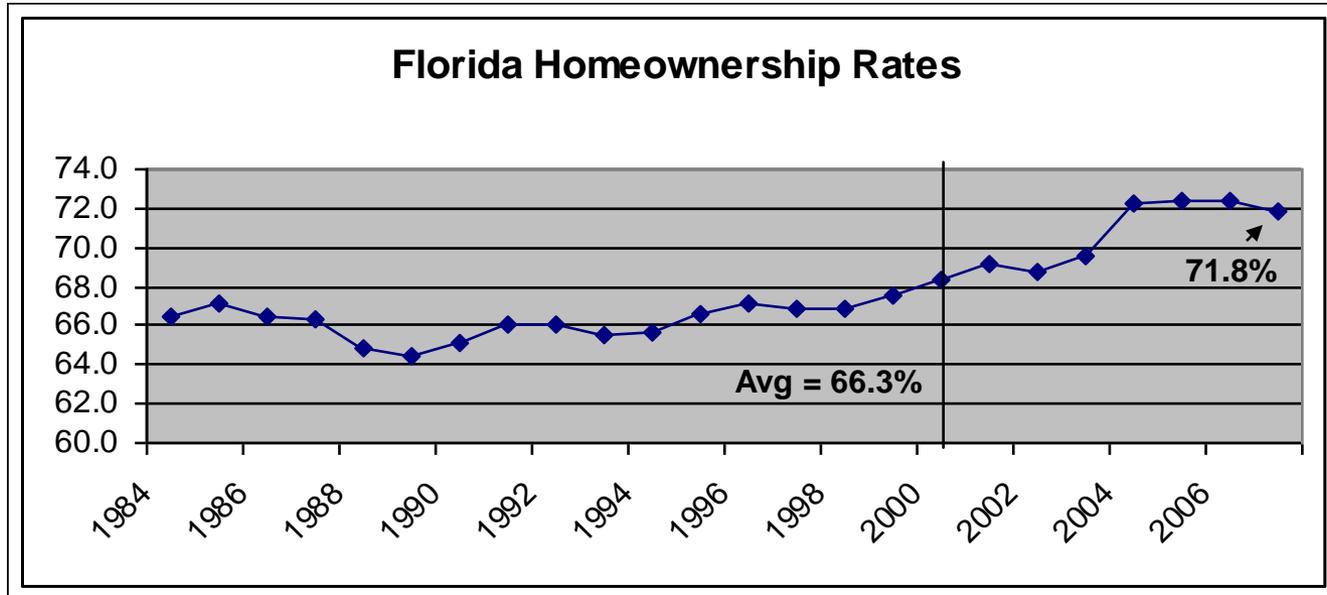
High

Med

Low



Vulnerability



If the 2007 rate dropped immediately back to the long-run average, 409,418 homeowners would be affected and over \$80 billion of value.



Recession – Now A Reality

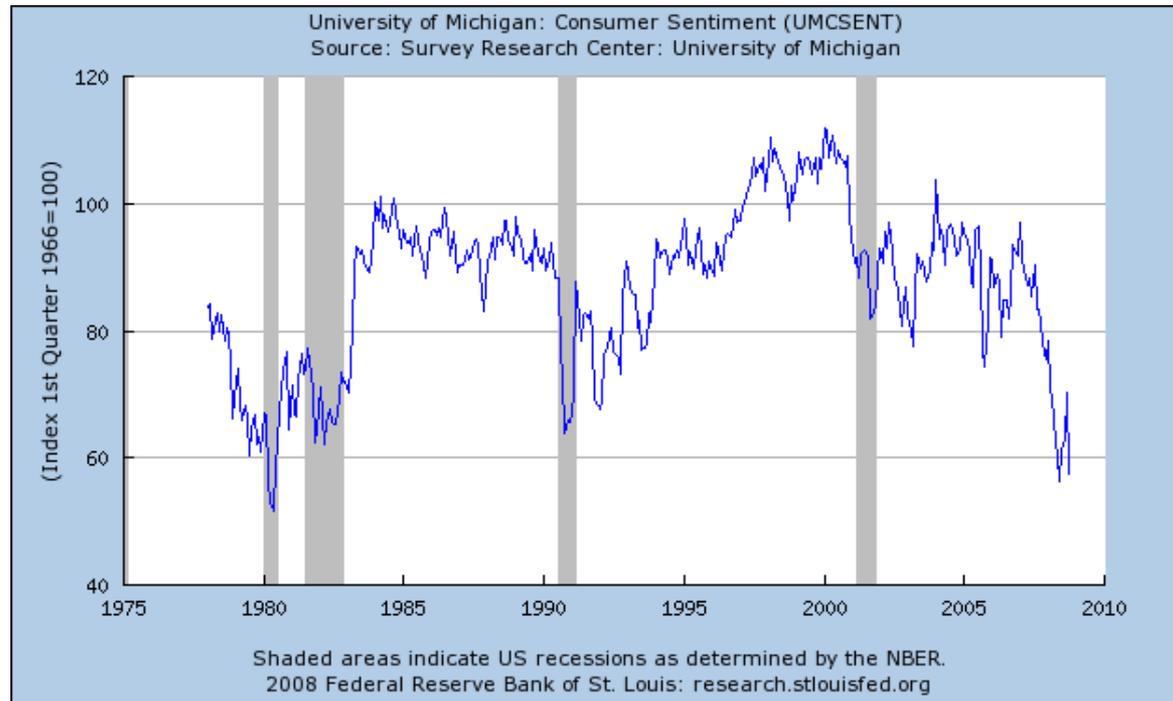
- United States economy has officially been in a recession since December 2007.
- Already longer than the last two recessions – and projected to last two more quarters.

Recessions since the Great Depression

<u>Recession</u>	<u>Duration</u>	<u>Recession</u>	<u>Duration</u>
2001	8 mos	1960-1961	10 mos
1990-1991	8 mos	1957-1958	8 mos
1981-1982	16 mos	1953-1954	10 mos
1980	6 mos	1948-1949	11 mos
1973-1975	16 mos	1945	8 mos
1969-1970	11 mos	1937-1938	13 mos



Sentiment is Eroding



- Consumer sentiment can be a leading indicator of recession: nationally, it is near the lowest levels ever obtained (57.6 in October versus 51.7 in May 1980).
- Florida's consumer confidence (November: 62) hovers near the record low (59) set in June.



The Economy Will Rebound

By April 2010, growth rates will begin a slow return to more typical levels. In the meanwhile...

- The national economic contraction will run its course and, more importantly, the financial markets will recover stability.
- The subsequent turnaround in Florida housing will be led by:
 - Falling home prices that begin to attract buyers and clear the inventory (FL below the national average in September: \$190,600 nationally vs. \$175,100 in Florida...8.1% below)
 - Long-run sustainable demand caused by continued population growth and household formation.
 - Florida's unique demographics and the aging of the baby-boom generation.



Revenue: Bringing It Together

- Drags are more persistent relative to some past events, and strength will be slow to return.
- Credit Market remains frozen.
- Global recessionary conditions affect international migration, tourism and spending decisions, as well as exports.
- U.S. Consumers will be responding to massive wealth destruction and tighter credit conditions.
- Recovery in the Florida housing market is not anticipated until April 2010, at least.



Five Drags on Estimates

1. **Slower Population Growth (11/07, 8/08 and 11/08)**
2. **Loss of Wealth Effect from Declining Home Prices (8/07) and now portfolio / investment losses (11/08)**
3. **Growing Home Inventory (11/07, 8/08 and 11/08)**
4. **Spreading Credit Crunch (3/08 and 8/08); freeze (11/08)**
5. **Reality of National and Global Recession (national: 3/08; global 11/08)**



Lower General Revenue Estimate

Fiscal Year	August 2008 Forecast	November 2008 Forecast	Forecast Difference	Percentage Reduction	Incremental Growth	Growth
2005-06	27074.8	27074.8				8.4%
2006-07	26404.1	26404.1				-2.5%
2007-08	24112.1	24112.1				-8.7%
2008-09	23371.8	21978.1	-1393.7	-6.0%	-2134.0	-8.9%
2009-10	24662.7	22322.2	-2340.5	-9.5%	344.1	1.6%
2010-11	26688.0	24267.7	-2420.3	-9.1%	1945.5	8.7%
2011-12	28800.2	26478.4	-2321.8	-8.1%	2210.7	9.1%

Outlook for the coming holiday season is poor.

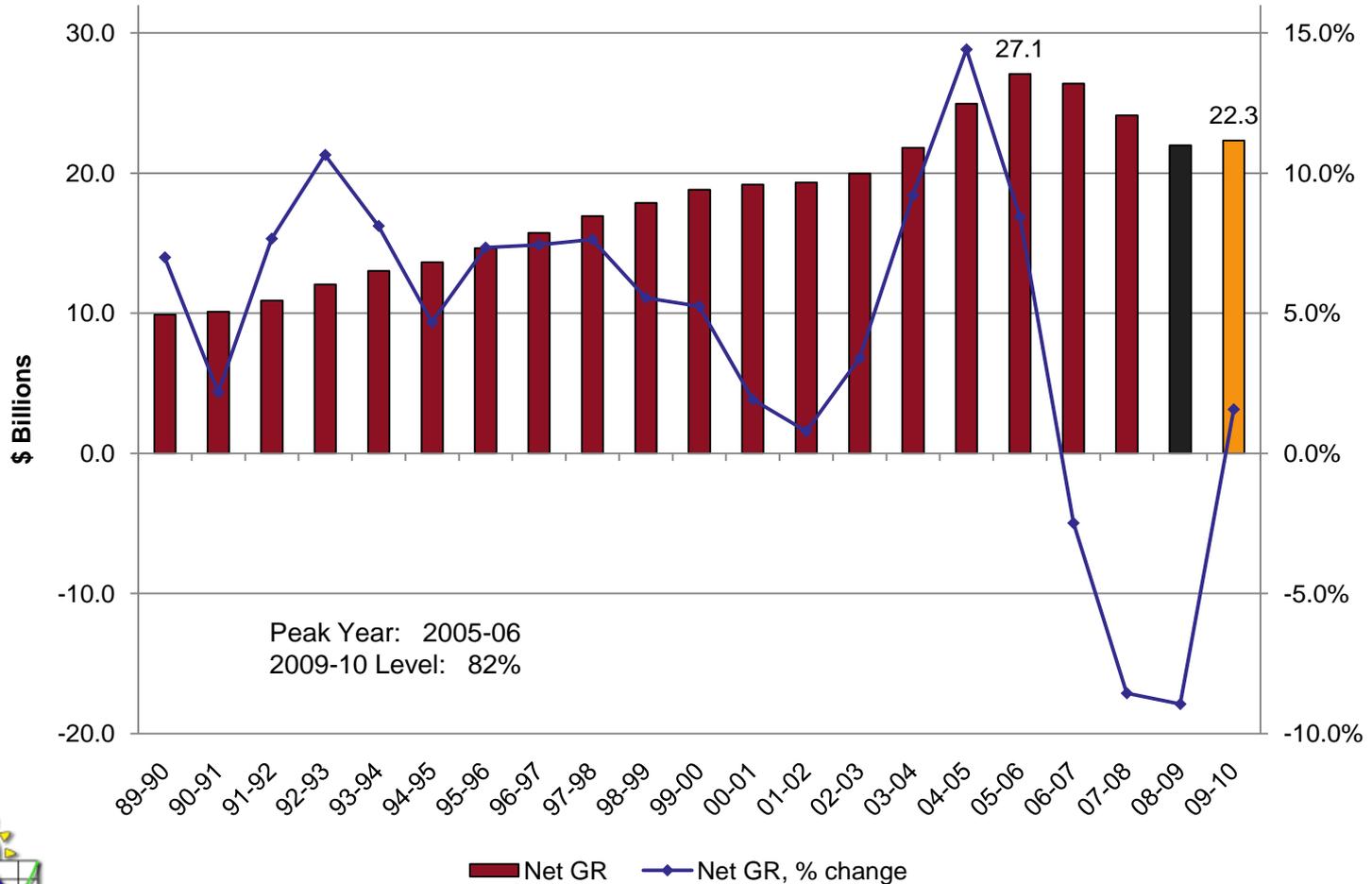


General Revenue Estimating Conference Changes

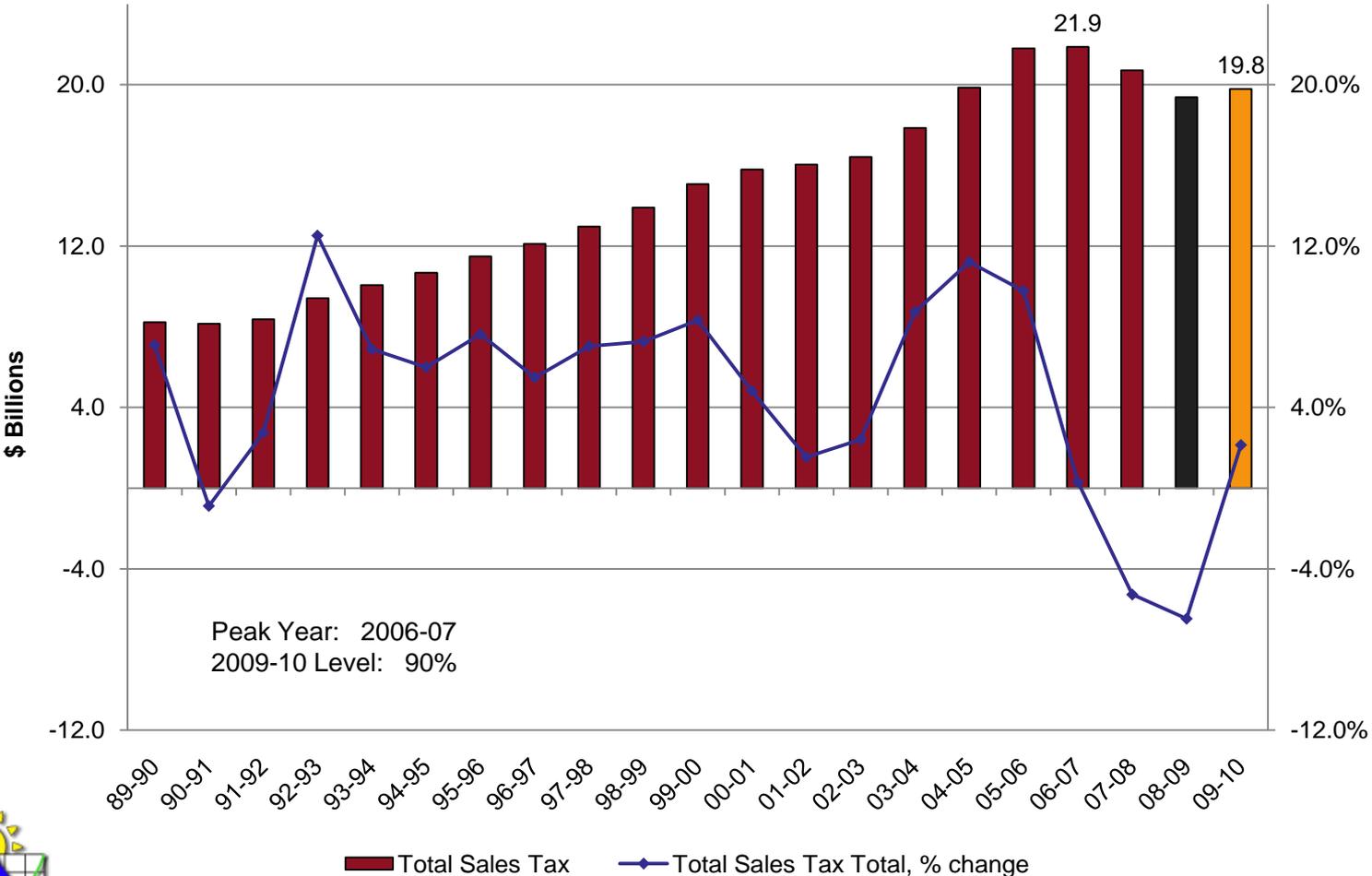
	<u>FY2008-09</u>	<u>FY2009-10</u>
2007 Session Estimate	29,324.7	31,342.5
August, 2007	(1,403.8)	(1,411.7)
November, 2007	(1,441.2)	(1,460.8)
March, 2008	(1,941.5)	(2,171.9)
August, 2008	(1,765.8)	(2,154.5)
November, 2008	(1,393.7)	(2,340.5)
Law changes (all years)	599.4	519.1
Current estimate	21,978.1	22,322.2
Cumulative reduction	(7,346.6)	(9,020.3)
	-25.1%	-28.8%



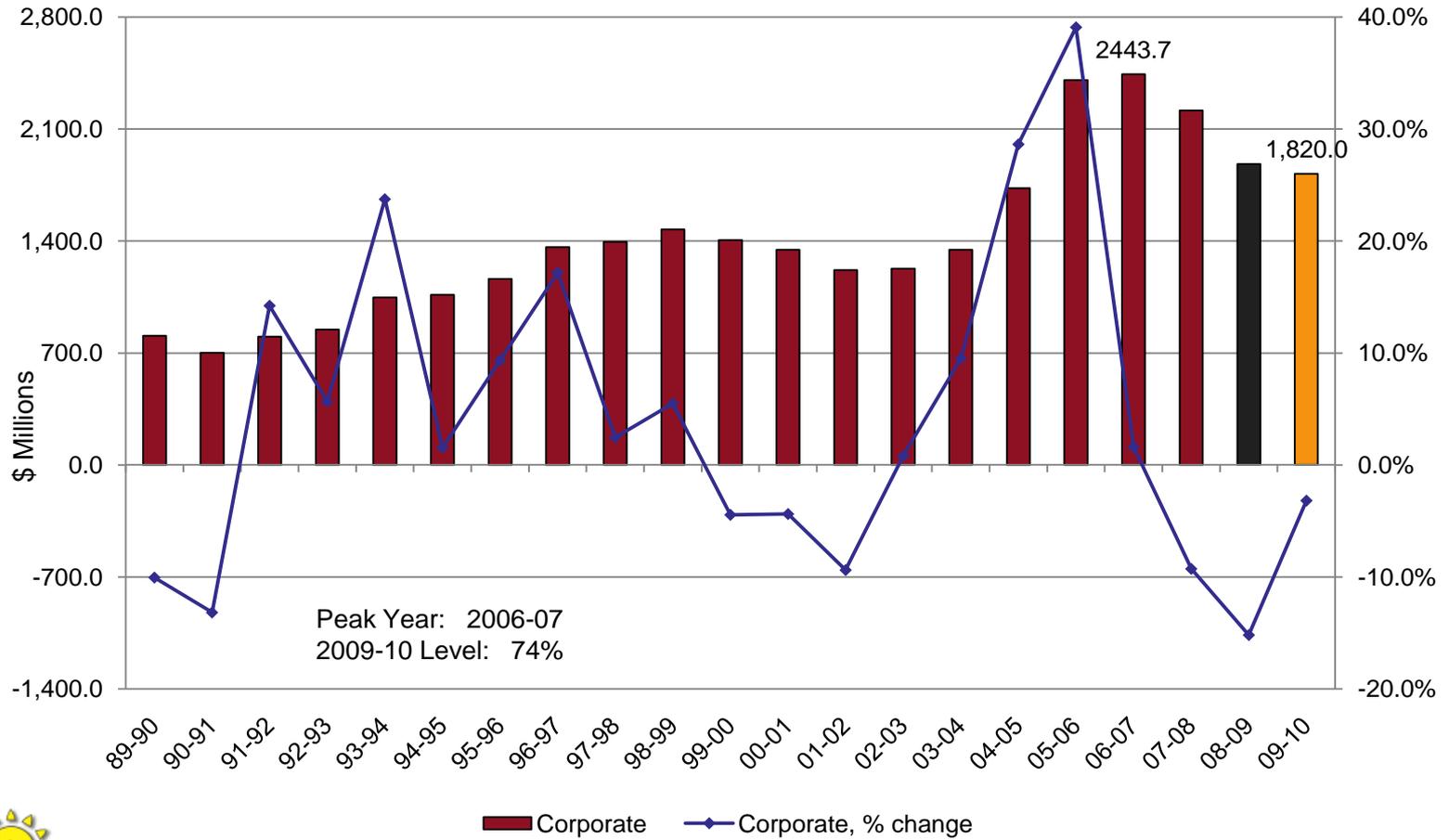
Net General Revenue Collections, History and Forecast



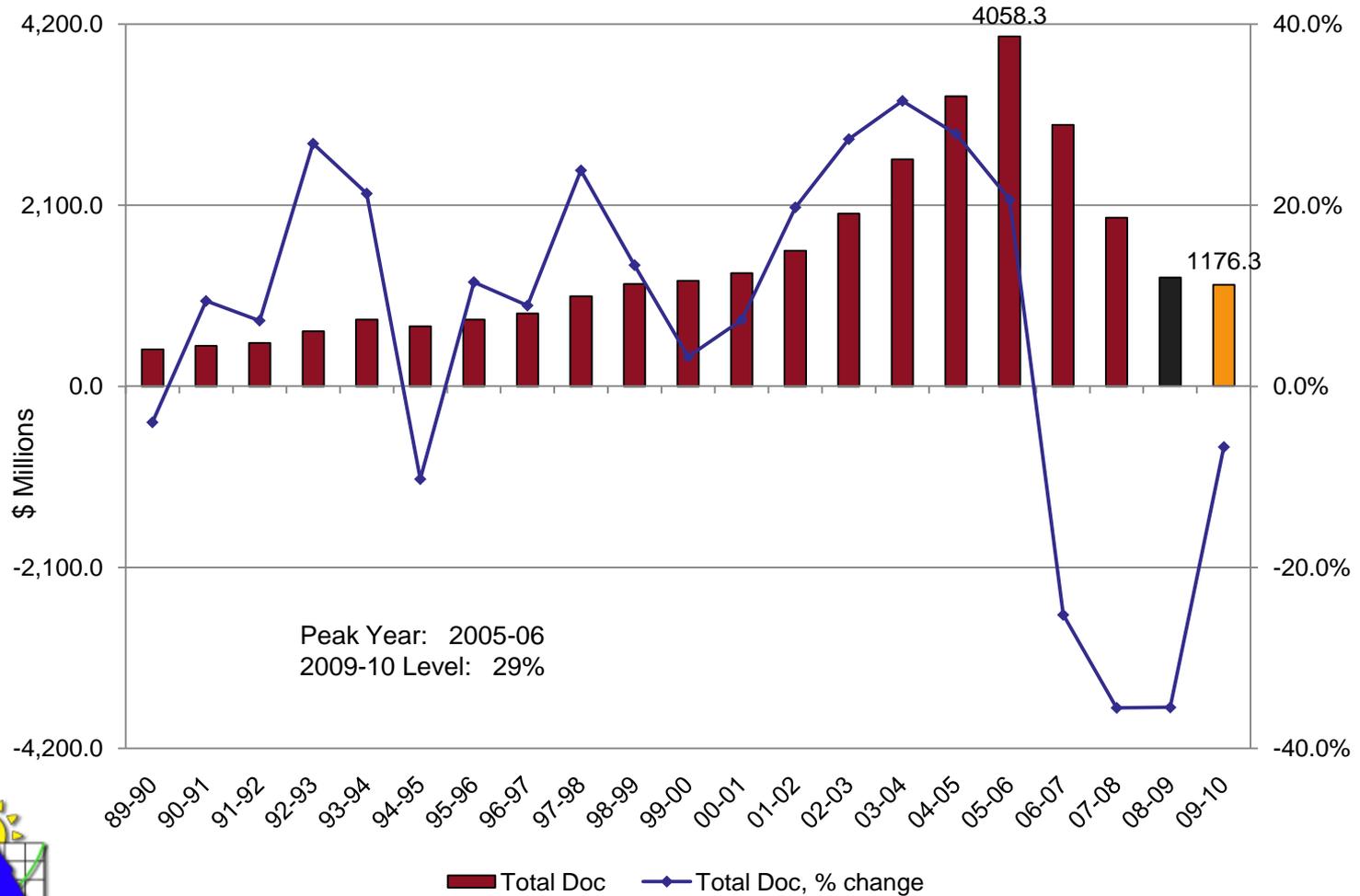
Total Sales Tax Collections, History and Forecast



Total Corporate Tax Collections, History and Forecast



Total Documentary Stamp Tax Collections, History and Forecast



Other Revenue Changes

Changes in Revenue Estimates Conferences Held October and November, 2008 (Millions of \$)				
	2008-09	2009-10	2010-11	2011-12
Total Documentary Stamp Tax Collections	-213.8	-430.0	-520.0	-504.9
Lottery & Slots (EETF)	-69.9	-156.8	-201.1	-191.9
State Transportation Trust Fund	-198.8	-247.8	-257.1	-228.5
Gross Receipts / Communications Services	-32.7	-55.4	-48.0	-19.5
PECO Trust Fund, Maximum Funds Available	0.0	-358.6	-305.1	-20.2
Ad Valorem, loss in local required revenue *	0.0	-461.6	-604.5	-731.0



* Assumes no changes in local required millage rates

Lottery Estimating Conference Revenue Reductions

Transfers to the Educational Enhancement TF

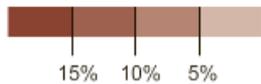
	<u>FY2008-09</u>	<u>FY2009-10</u>
2007 Session Estimate	1,259.4	1,269.6
October, 2007	10.1	8.5
February, 2008	120.2	123.4
April, 2008	(79.0)	(79.5)
July, 2008	(75.0)	(54.8)
October, 2008	(54.8)	(114.1)
Law changes (all years)	8.6	24.1
Current estimate	1,189.5	1,177.2
Cumulative reduction	(69.9)	(92.4)
	-5.6%	-7.3%



National Perspective

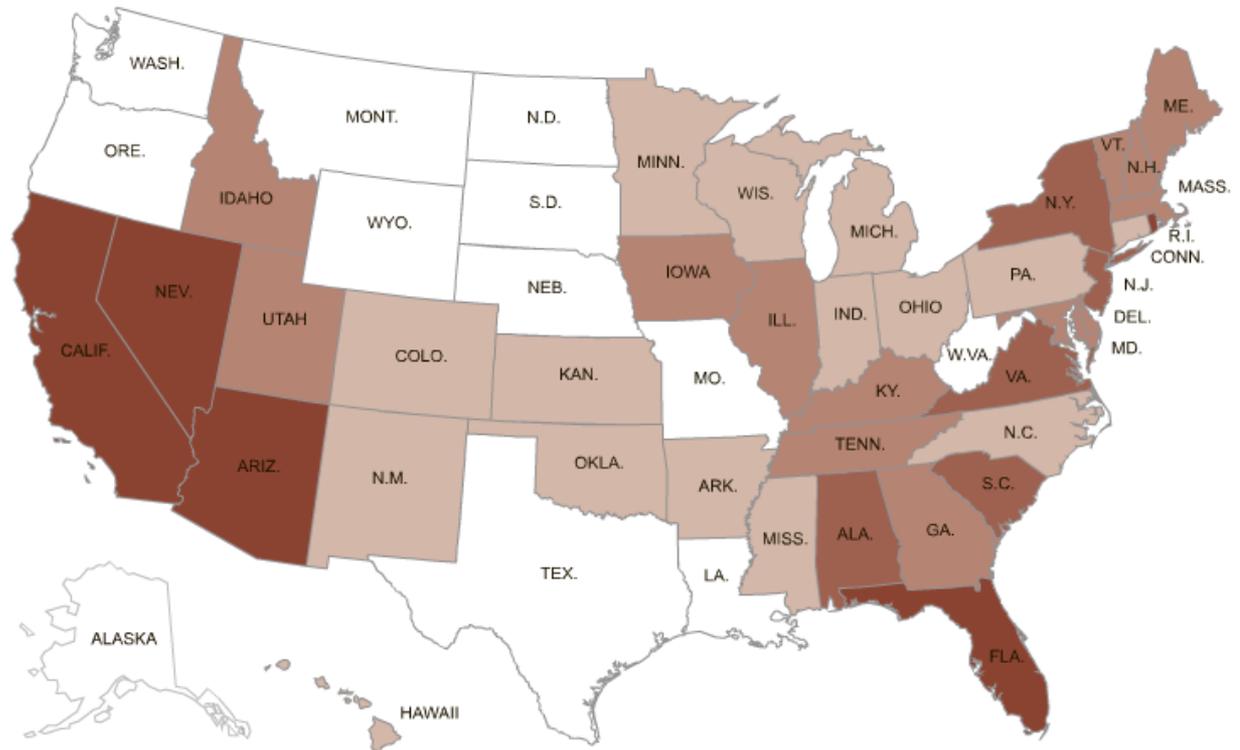
Budget Shortfalls
Share of General Fund
Revenues

Budget gap as a percentage of each state's general fund



No known budget gap

Note: The map data includes gaps that states had before the 2009 fiscal year budgets were adopted and additional midyear gaps. Exact amounts of midyear budget gaps in Illinois and Wisconsin are unavailable.



New York Times Graphic – FY 2009-10 Budget Gap