

Florida: An Economic & Revenue Update

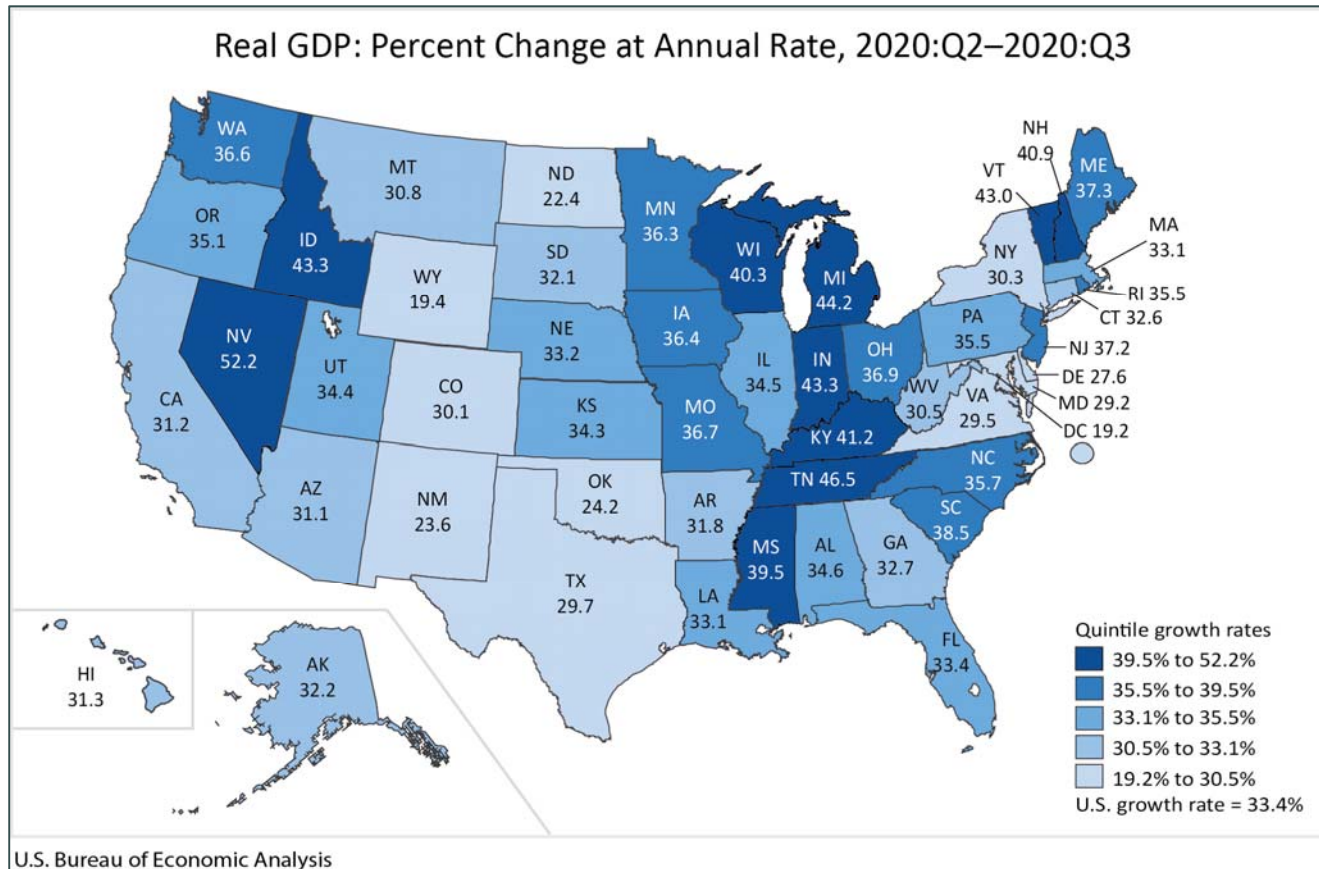
January 14, 2021

Presented by:



The Florida Legislature
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Coronavirus Impact on Florida GDP...

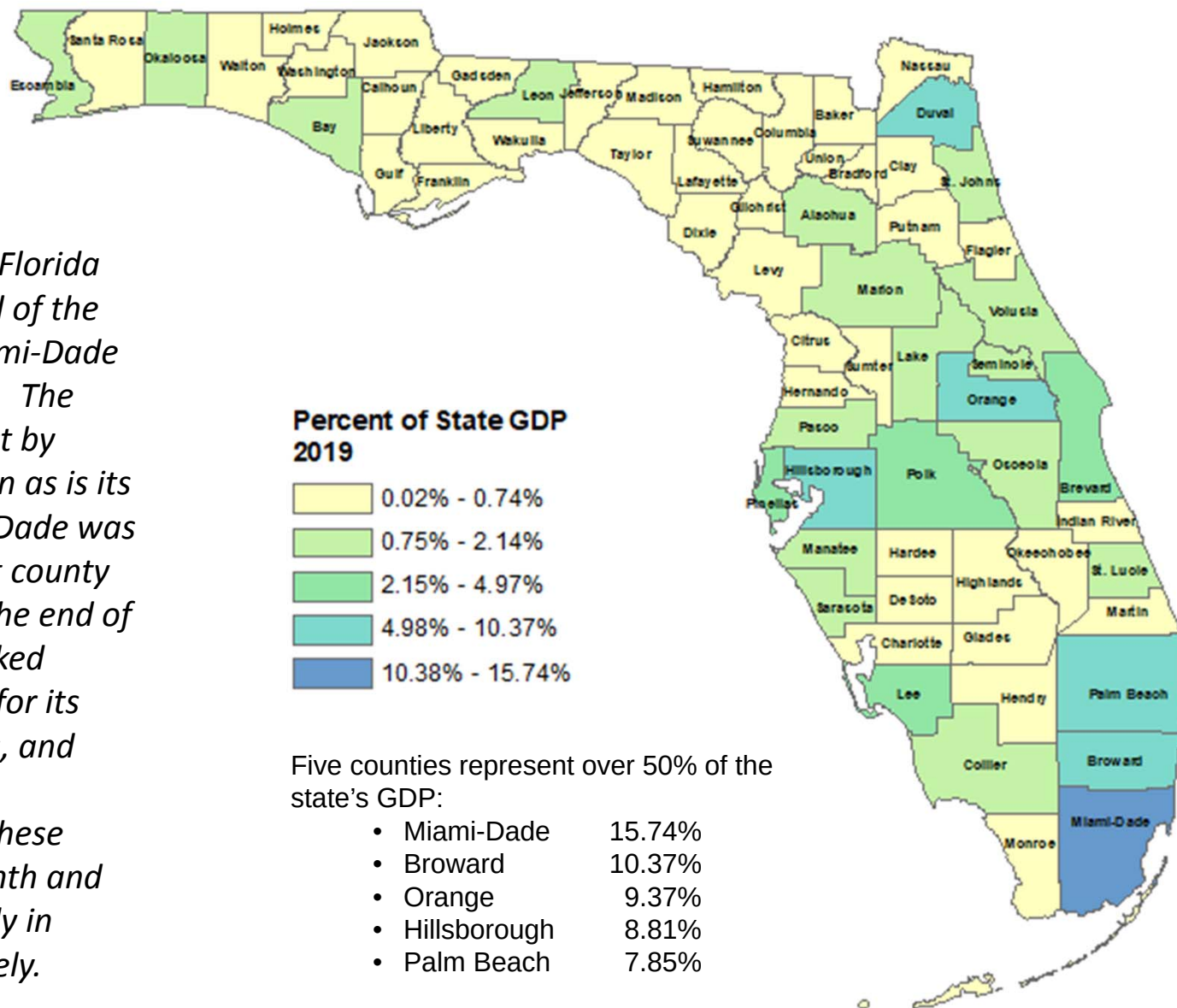


For the 2018 calendar year, Florida had 3.2 percent growth in Real Gross Domestic Product (GDP). For 2019, Florida's growth slowed slightly from the prior year, but remained above the national average (2.8 percent in Florida versus 2.2 percent in the US). Translating the data into the state's fiscal year, Florida grew 3.0 percent in Fiscal Year 2018-19 and was expected to grow 2.5 percent in Fiscal Year 2019-20 at the Conference held immediately before the pandemic. Through the first half of the 2019-20 fiscal year, the data showed that the state was on track to match that Conference projection.

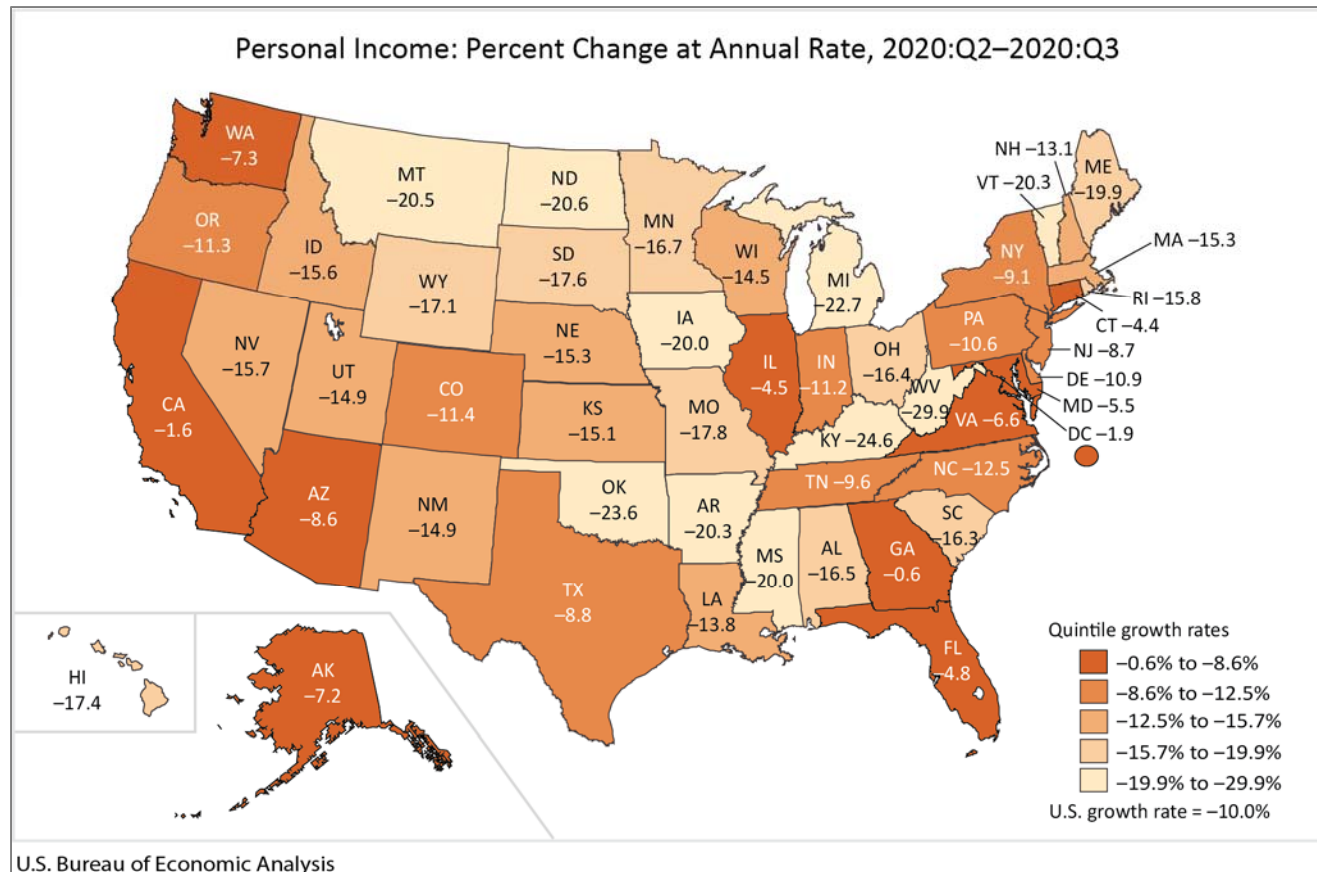
After falling -4.3 percent in the first quarter and -30.1 percent in the second quarter, the US Department of Commerce, Bureau of Economic Analysis released GDP data by State for the third quarter of 2020 (July, August and September) on December 23rd. Coming in at +33.4 percent, the state exactly matched the rate for the US as a whole. Even so, given the overall soaring numbers among states during this quarter, Florida only ranked 27th in the country for its real growth at a seasonally adjusted annual rate. The latest Estimating Conference projections are -0.5 percent for Fiscal Year 2019-20 and +0.5 percent for Fiscal Year 2020-21.

State's GDP by County...

Pre-pandemic, South Florida represented one-third of the State's GDP with Miami-Dade clocking in at 15.74%. The post-pandemic impact by county is still unknown as is its duration, but Miami-Dade was the state's hardest hit county by most metrics. At the end of December, it was ranked fourth in the country for its total number of cases, and Broward was ranked thirteenth. In 2019, these counties ranked seventh and seventeenth nationally in population, respectively.



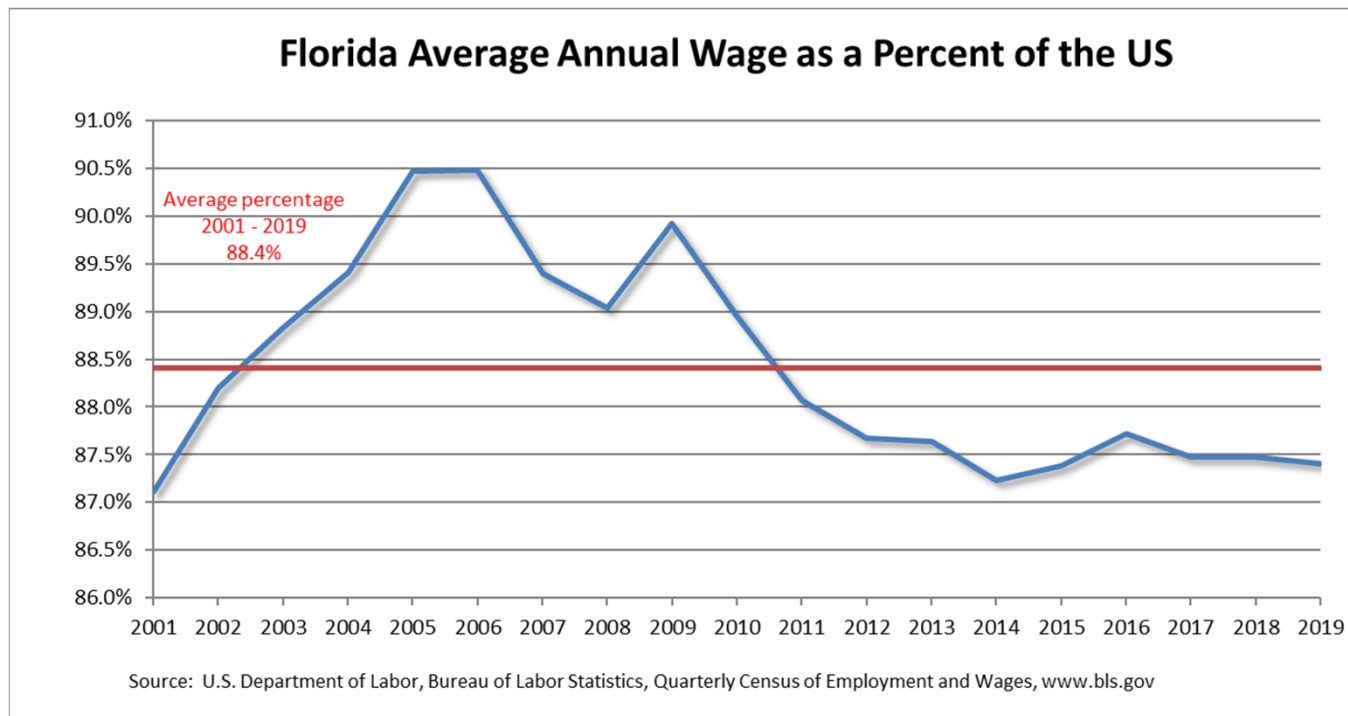
Coronavirus Impact on FL Personal Income...



For the 2018 calendar year, Florida had 6.5 percent growth in personal income and 5.1 percent growth in per capita personal income. For 2019, Florida's personal income growth slowed slightly from the prior year, but remained above the national average (4.0 percent growth in Florida versus 3.9 percent in the US), while per capita personal income growth fell below the national growth rate (2.9 percent in Florida versus 3.5 percent in the US). Translating the data into the state's fiscal year, Florida grew 5.3 percent in personal income during Fiscal Year 2018-19 and was expected to grow 5.1 percent in Fiscal Year 2019-20 at the Conference held immediately before the pandemic. Through the first half of the 2019-20 fiscal year, the data showed that the state was on track to match that Conference projection.

After increasing +5.7 percent in the first quarter and +30.3 percent in the second quarter due to government assistance programs, the US Department of Commerce, Bureau of Economic Analysis released Personal Income data by State for the third quarter of 2020 (July, August and September) on December 17th. The data indicated that Florida ranked 5th in the country even though it showed -4.8 percent growth in personal income over the prior quarter. The state was better than the United States as a whole, which saw a decline of -10.0 percent. The latest Estimating Conference projections are +4.9 percent for Fiscal Year 2019-20 and +2.3 percent for Fiscal Year 2020-21 before declining (-1.1 percent) in Fiscal Year 2021-22.

Atypical Wage Gap Stubbornly Persisted in 2019...



Florida's average annual wage has typically been below the US average. The most recent data showed that Florida's average wage, relative to the US average, was 87.4% in the 2019 calendar year, continuing to fall from 2016 when it was 87.7%. The ratio in 2014 (87.2%) was Florida's lowest percentage since 2001.

In part, the lower than average wage gains has to do with the mix of jobs that have been growing the fastest in Florida and their average wages. For example, the Accommodation & Food Services employment sector is large, has the lowest average annual wage, and, until the coronavirus pandemic, had been growing faster than overall employment in the state. This industry sector is closely related to the health of Florida's tourism industry that reached almost 130 million visitors in FY 2018-19, an increase of 5% over FY 2017-18. Visitors declined to fewer than 108 million in FY 2019-20 due to the pandemic, causing the temporary or permanent loss of thousands of jobs. Tourism bore the brunt of the shutdowns, possibly leading to the permanent loss of some of those jobs. As Florida's mix of jobs changes, so will the average annual wage.

Current Employment Conditions...

November 2020 Nonfarm Jobs (YOY)

US -6.1%

FL -4.6%

Employment dropped by nearly 1.2 million jobs from February 2020 to April 2020, a decline of -13.0 percent. As of November, Florida has regained 694,700 jobs out of the 1,178,100 million lost, or about 59%.

November 2020 Unemployment Rate

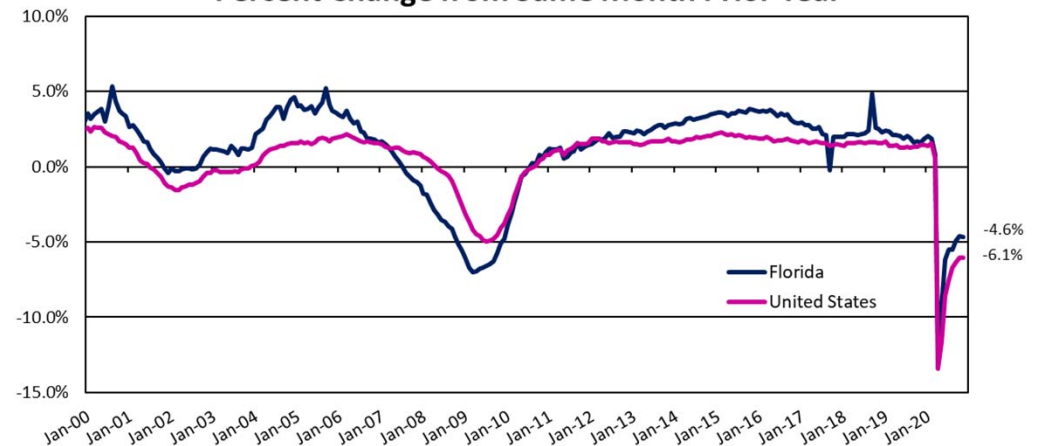
US: 6.7%

FL: 6.4% (651,100 jobless persons)

The Revenue Estimating Conference assumes the "full employment" unemployment rate is about 4 percent.

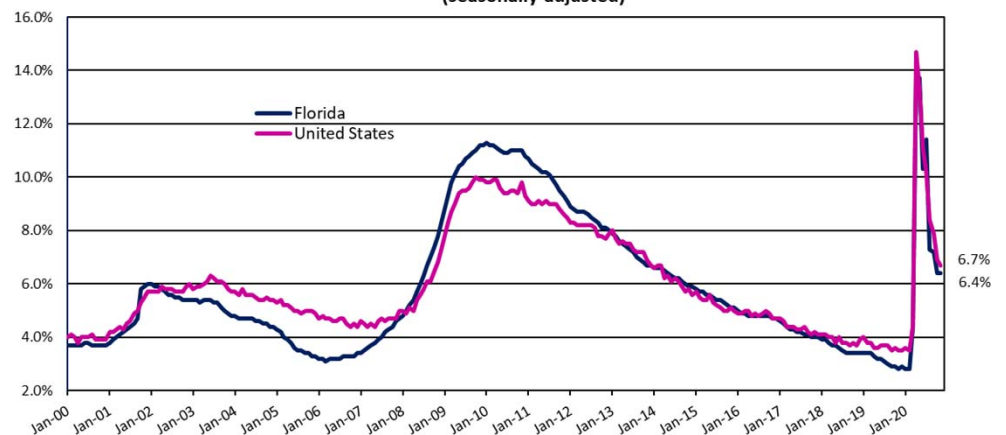
Florida's unemployment rate dropped to 2.8 percent in January and February 2020, which, together with November 2019, became the lowest recorded unemployment rates since the series began in 1976. With the onset of the Coronavirus outbreak, the unemployment rate spiked to 13.8 percent in April 2020, handily surpassing the prior peak rate of 11.3 percent experienced in January 2010 during the Great Recession. The change was breathtaking. Over the space of two months, the unemployment rate shifted from a near 50-year low to a near 50-year high.

Seasonally Adjusted Nonfarm Jobs
Percent Change from Same Month Prior Year



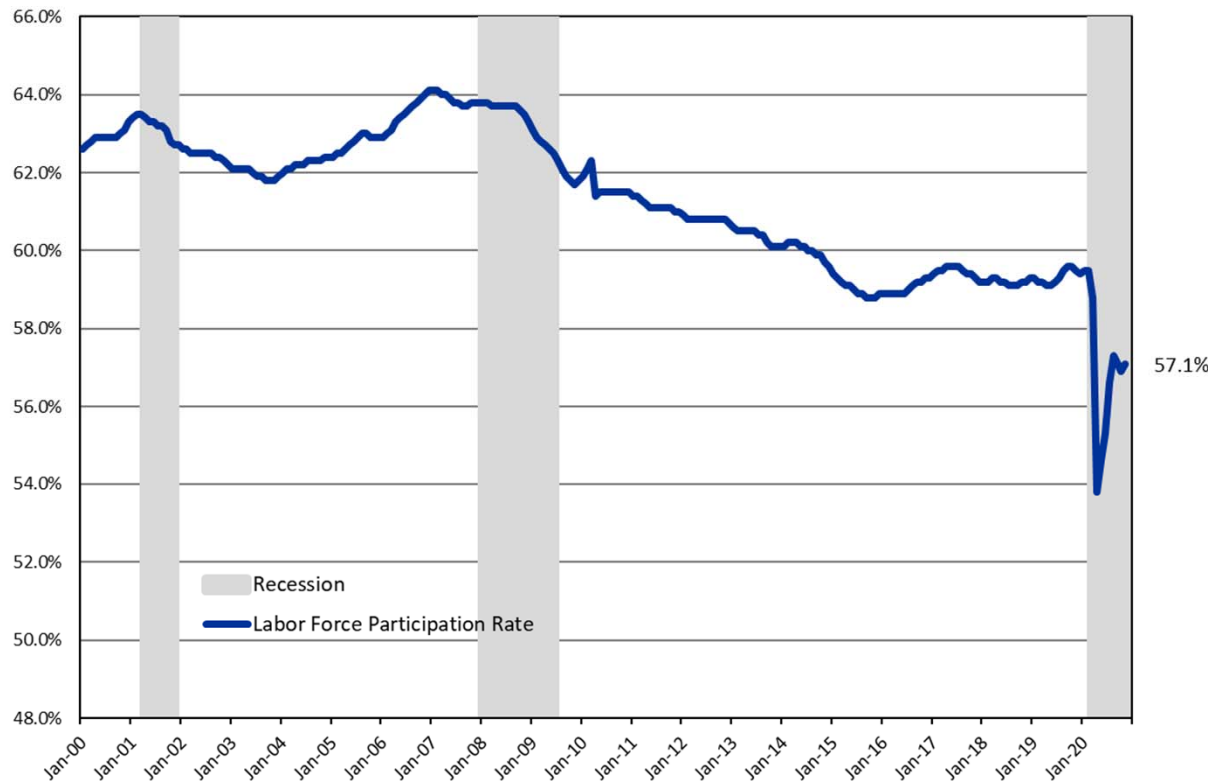
Source: Florida Department of Economic Opportunity, Bureau of Workforce Statistics and Economic Research, Current Employment Statistics Program in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics, December 18, 2020.

United States and Florida Unemployment Rates
(seasonally adjusted)



Source: Florida Department of Economic Opportunity, Bureau of Workforce Statistics and Economic Research, Local Area Unemployment Statistics Program, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics, December 18, 2020.

Florida's Participation Rate Subpar...



Source: U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics, Civilian Noninstitutional Population and Associated Rate and Ratio Measures for Model-Based Areas, released December 18, 2020.

Florida's labor force participation rate peaked during the Housing Boom at 64.1% from December 2006 to February 2007. Pre-pandemic, Florida's participation rate had been hovering around 59.5%; however, Florida's participation rate fell to a series low of 53.8% in April, before moving back to a still subpar 57.3% in August. Since September, Florida's participation rate has been hovering around 57.1%.

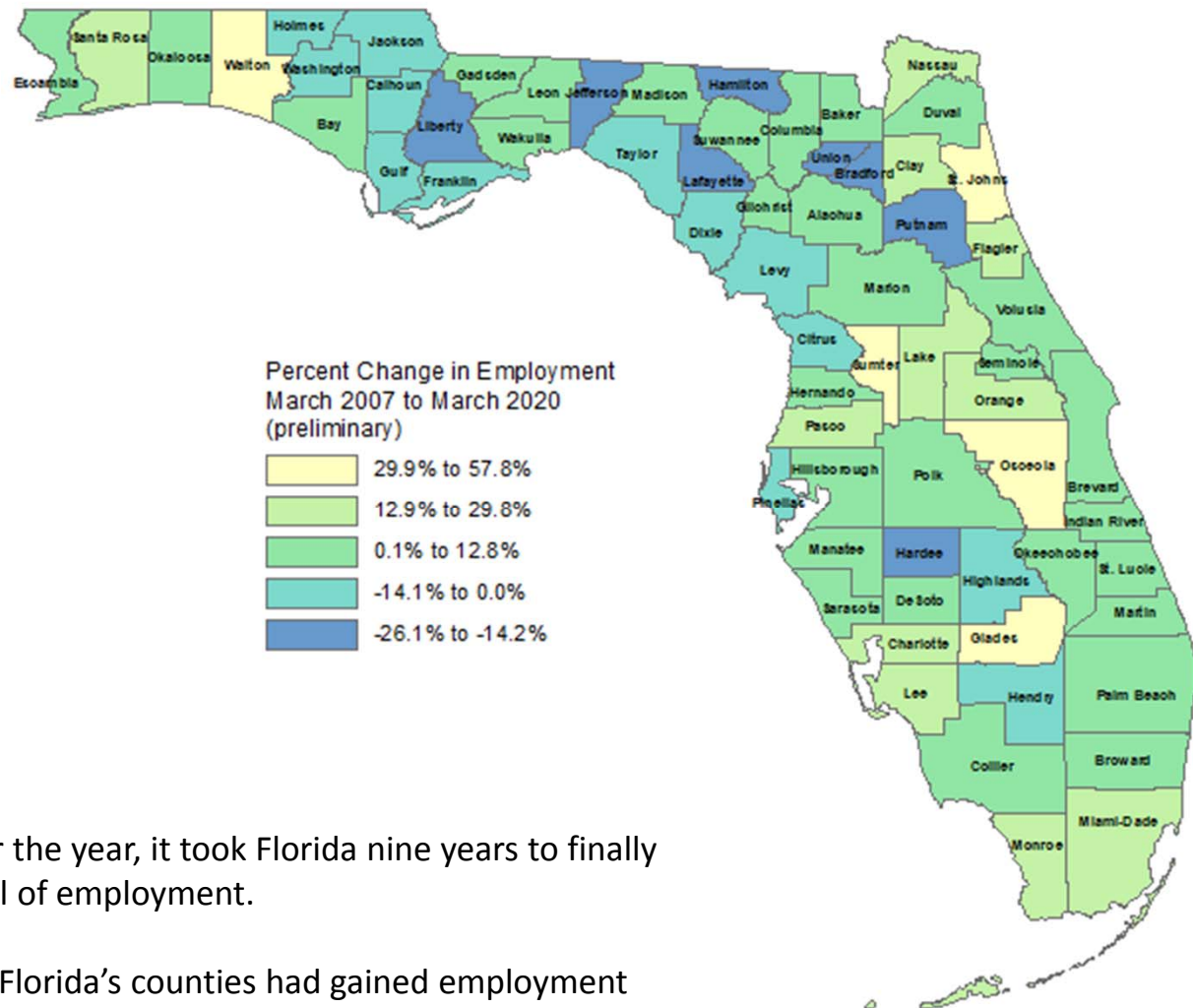
Florida's participation rate is still lower than the US even though the US participation rate also fell substantially in April to 60.2%. The US participation rate rebounded to 61.7% in August, but since September, the rate has been fluctuating slightly, with November posting at 61.5%.

As a result of the pandemic's economic impact, there was a surge in the number of unemployed in both Florida and the US. The duration of unemployment initially reflected the shift of a large number of workers into unemployment with an increased number and percentage of those unemployed for less than 5 weeks. In Florida, the percentage of those unemployed for less than 5 weeks had grown from 32.3% in February to 44.2% in April, before falling back to 29.5% in November. As some of the temporary furloughs became permanent layoffs, the duration of unemployment increased for the unemployed, with the percentage of those unemployed from 5 to 26 weeks reaching 56.3% in November.

Prior to the pandemic's impact on the labor force, Florida was still experiencing a significant percentage of long-term unemployed (24.7%). This group now represents only 14.1%, as people laid off during the pandemic swell the ranks of the unemployed.

Pre-Pandemic, Employment Picture Was Improving Across the State, but Polarized...

Area	March 2007 to March 2020	
Sumter County	57.8%	Greatest Percentage Increase
Florida	10.9%	
Liberty County	-26.1%	Greatest Percentage Decline



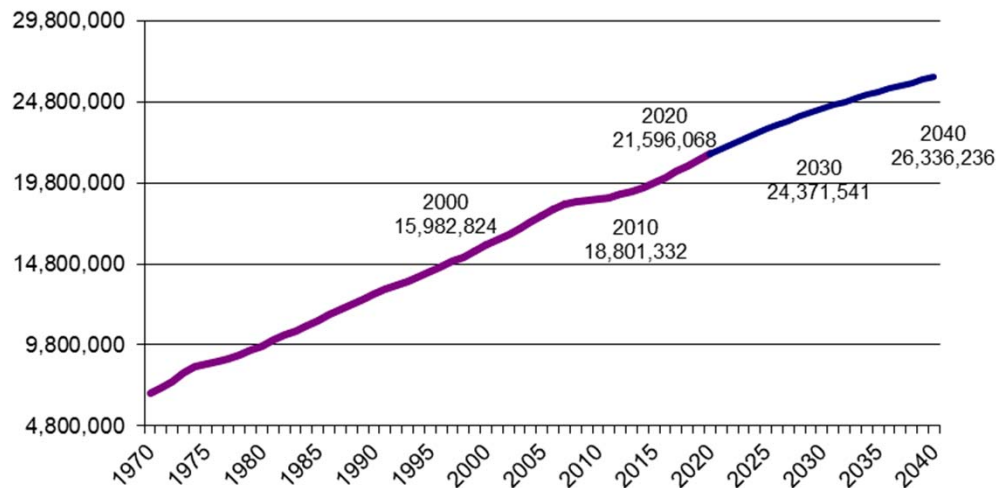
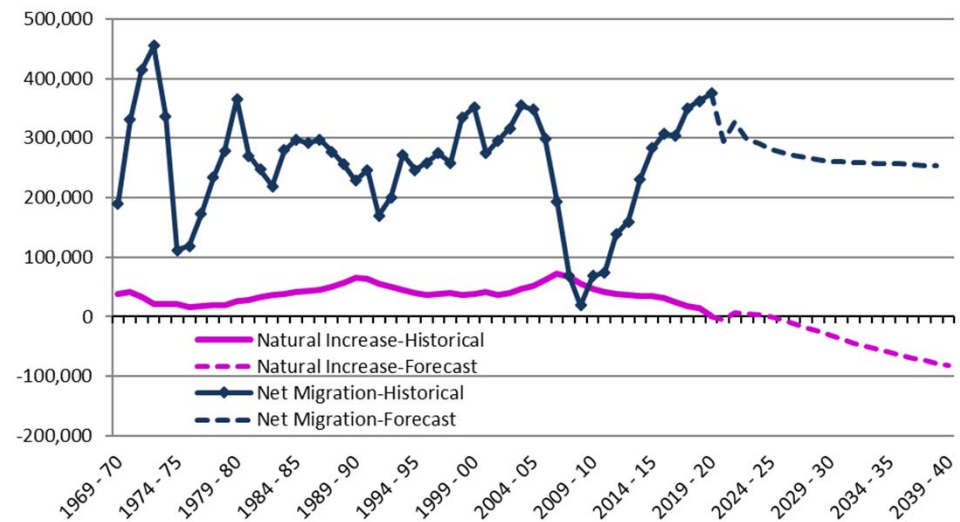
- Comparing March data over the year, it took Florida nine years to finally surpass its March 2007 level of employment.
- Just over two-thirds (46) of Florida's counties had gained employment relative to their levels in March 2007. Last year, there was 42 counties.

Population Growth to Slow...

- Population growth is typically the state's primary engine of economic growth, fueling both employment and income growth.
- Florida's population exhibited strong growth over the past two years. Between April 1, 2018 and 2019 population grew by 368,021 residents (1.77%), while between April 1, 2019 and 2020 the state added 387,479 residents (1.83%). As a result of the pandemic, population growth is expected to slow to 297,851 new residents (1.38%), reflecting both slower net migration and a speed-up in the expected negative natural increase (more deaths than births). Between 2021 and 2025, growth is forecast to average 1.36%.
- Almost all of Florida's population growth through 2030 will be from net migration.
- Nationally, average annual growth was forecast to be about 0.66% between 2020 and 2030. This number has not been updated since the onset of the pandemic.
- The future will be different than the past; Florida's long-term growth rate between 1970 and 1995 was over 3%.
- Florida is currently the third most populous state, behind California and Texas.

Florida's Population Growth...

Typically, Florida's population growth is from net migration. This year, COVID-19 is expected to slow net migration and also cause natural increase to turn negative sooner than originally expected. Starting in FY 2024-25, net migration is forecast to represent all of Florida's population growth.

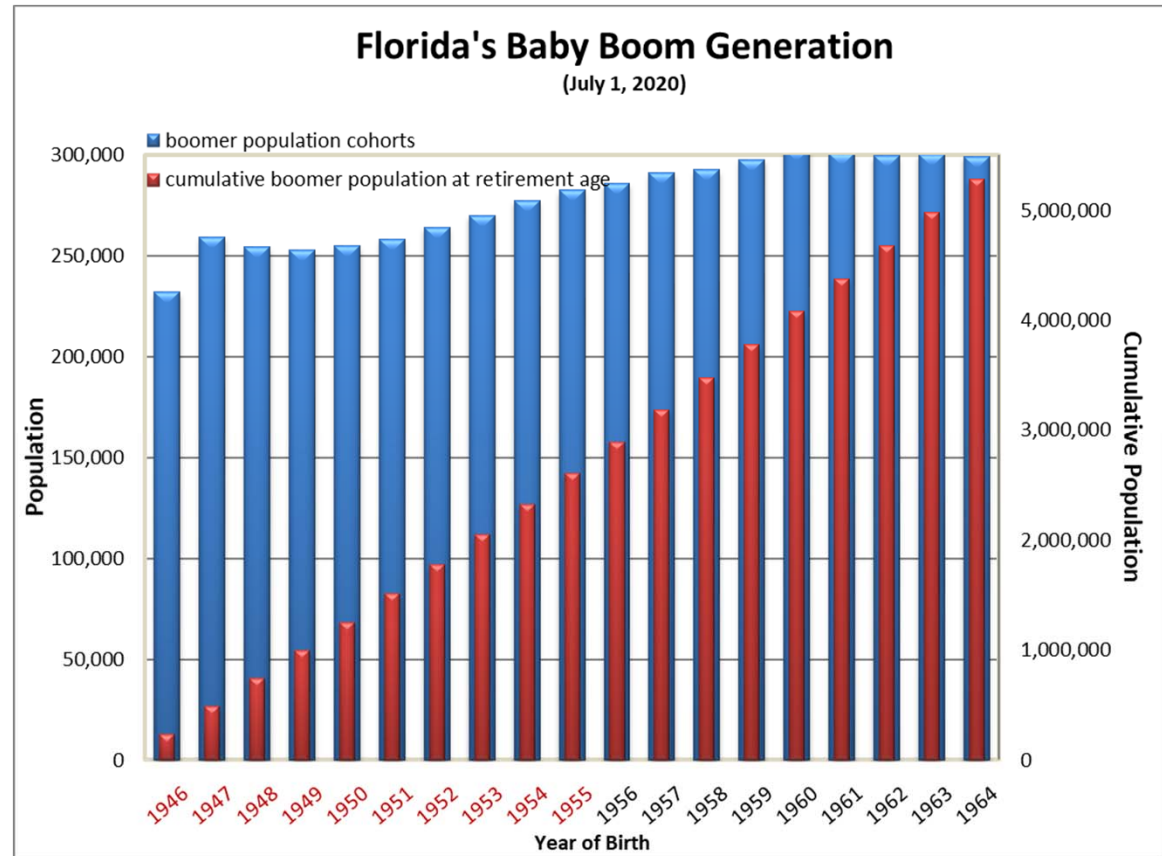


Florida's population growth of 387,479 between April 1, 2019 and April 1, 2020 was the strongest annual increase since 2005, immediately prior to the collapse of the housing boom and the beginning of the Great Recession.

Baby Boomers in Context...

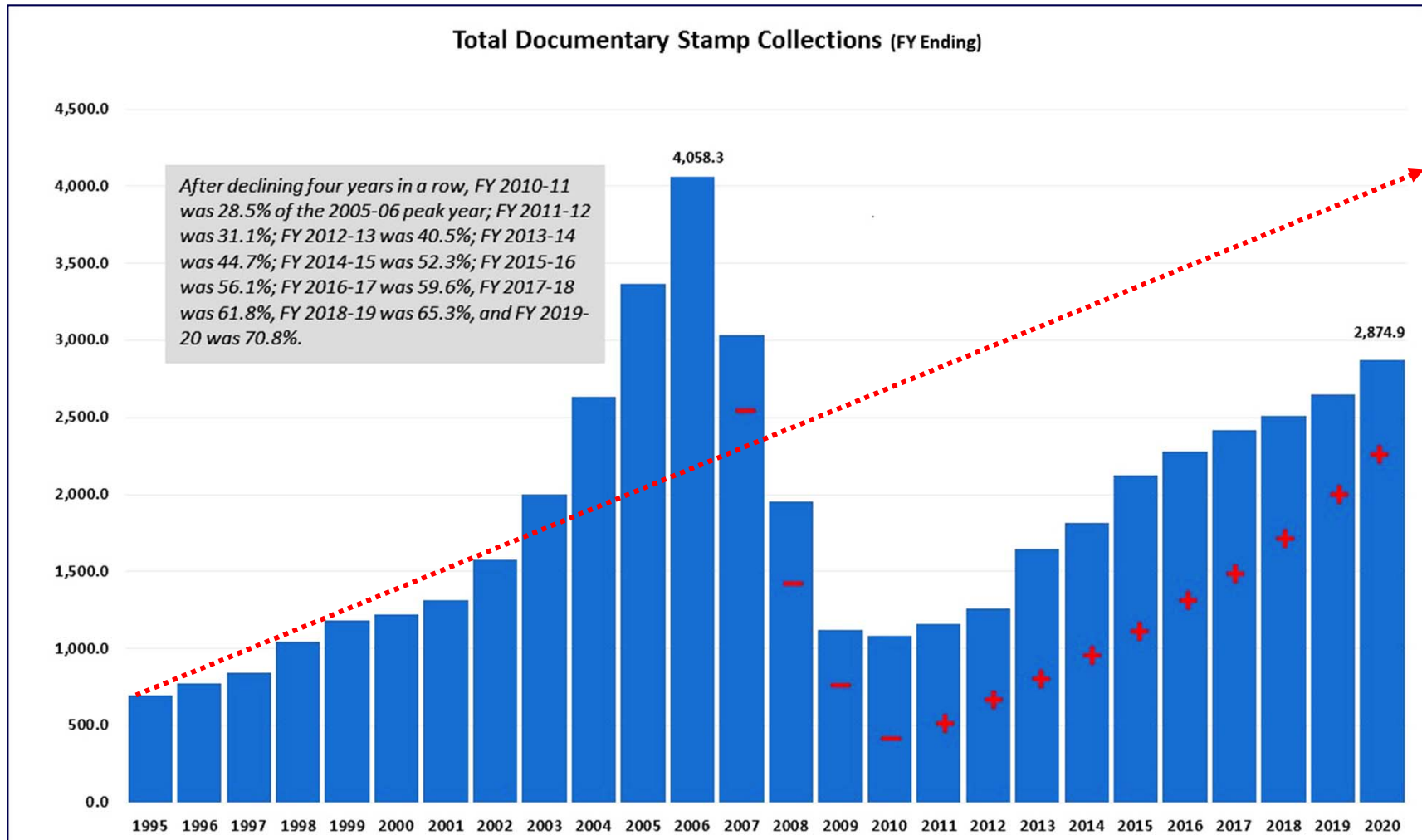
The first cohort of Baby Boomers became eligible for retirement (turned age 65) in 2011. Ten cohorts have now entered the retirement phase: 2011 through 2020. This represents almost half of all Baby Boomers.

Population aged 65 and over is forecast to represent 24.3% of the total population in 2030, compared with 20.4% today and 17.6% in 2000.



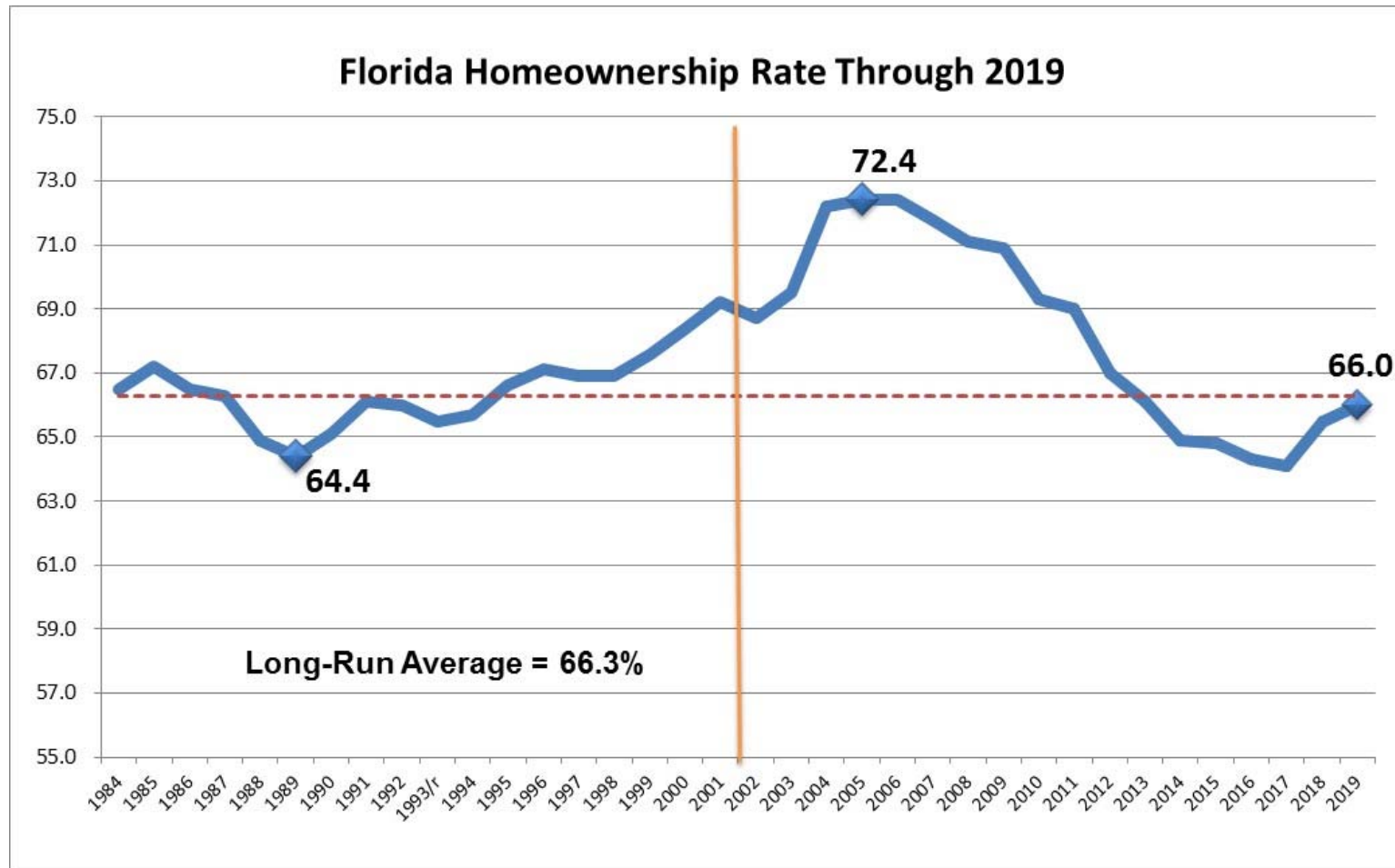
- In 2000, Florida's prime working age population (ages 25-54) represented 41.5% of the total population. With the aging Baby Boom generation, this population now represents 36.9% of Florida's total population and is expected to represent only 35.9% by 2030.
- The youngest population, 0-17, represented 22.8% of the total population in 2000. Today, only 20.3% of the total population is in this age group, and this share is projected to continue declining to 20.0% by 2030.

Florida Housing Market is Resilient...



Documentary Stamp Tax collections saw 8.4% growth in FY 2019-20 over FY 2018-19, despite activity in one quarter being affected by the pandemic. The market environment supporting this result primarily resulted from the record low interest rates resulting from the Federal Reserve's actions to stem the severity of the pandemic's economic disruption in the second quarter of 2020.

Homeownership Rate Approaching Normal...

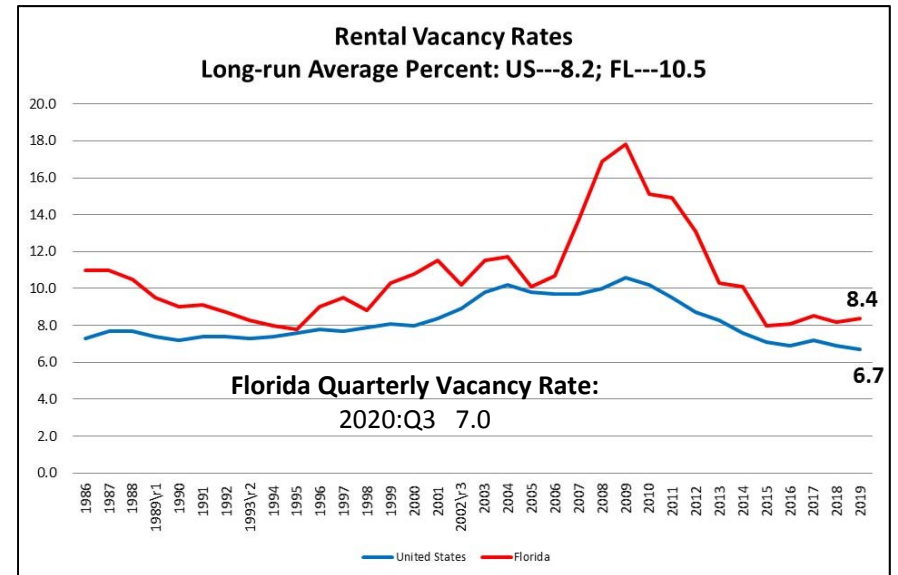


From 2013 to 2019, Florida was below its long-run average homeownership rate, although the 2019 calendar year very nearly matched it at 66.0 percent. Quarterly data for the 2020 calendar year indicates that the state will finally move above the long-run average when the year is done: Q1—67.9 percent; Q2—70.1 percent; and Q3—69.7 percent.

Florida and U.S. Median Gross Rent (in Current Dollars)						
Year	Median Gross Rent			Average Gross Rent		
	United States	Florida	Florida relative to United States	United States	Florida	Florida relative to United States
2005	728	809	111%	803	863	107%
2006	763	872	114%	844	932	110%
2007	789	925	117%	878	991	113%
2008	824	947	115%	919	1,015	110%
2009	842	952	113%	938	1,024	109%
2010	855	947	111%	954	1,017	107%
2011	871	949	109%	973	1,027	106%
2012	884	954	108%	990	1,037	105%
2013	905	972	107%	1,016	1,050	103%
2014	934	1,003	107%	1,047	1,087	104%
2015	959	1,046	109%	1,077	1,129	105%
2016	981	1,086	111%	1,105	1,161	105%
2017	1,012	1,128	111%	1,138	1,203	106%
2018	1,058	1,182	112%	1,182	1,251	106%
2019	1,097	1,238	113%	1,223	1,301	106%

Source: U.S. Census Bureau, American Community Survey, 1-Year, 2005-2019.

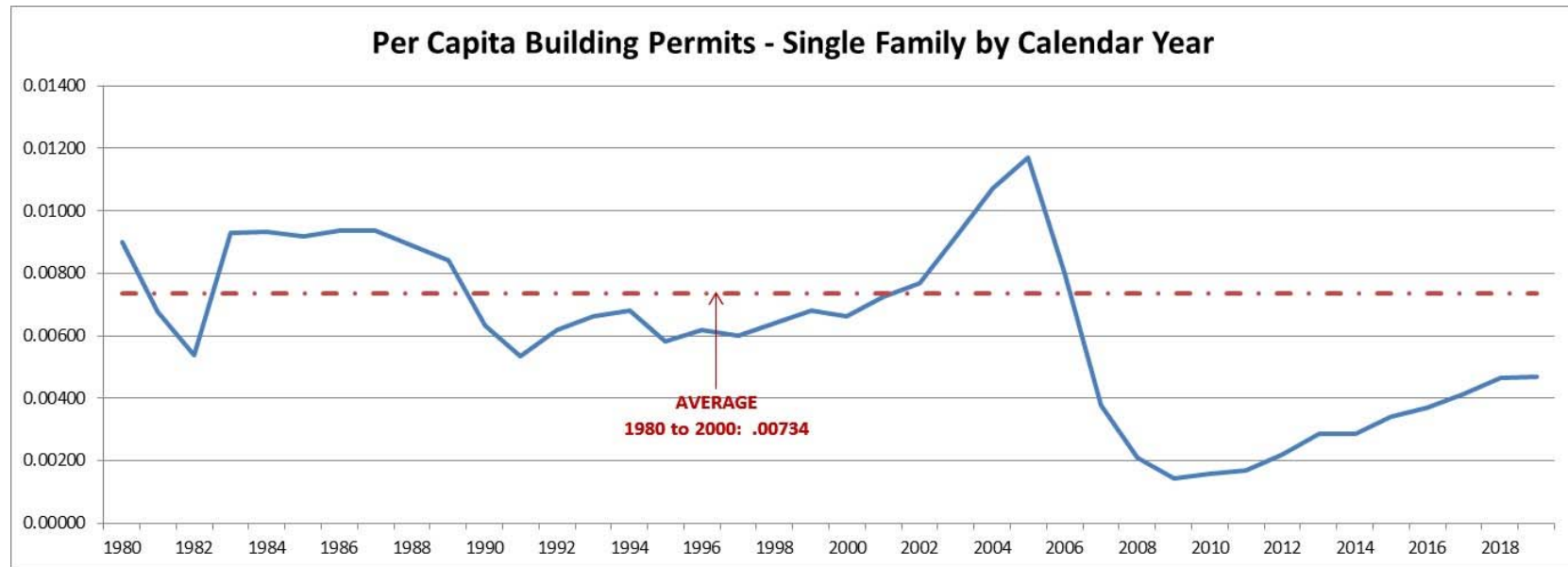
Challenging housing costs and shifting preferences among Millennials have caused residential rental vacancies to tighten strongly over the last five years (2015 through 2019) even as price pressure builds. However, the overall share of Florida's population living in rentals is dropping as homeownership rises.



Florida Renter Fraction

Date	US	Florida
2019	35.89%	33.75%
2018	36.05%	34.08%
2017	36.13%	34.85%
2016	36.88%	35.87%
2015	36.97%	36.22%
2014	36.90%	35.95%
2013	36.50%	35.21%
2012	36.09%	34.36%
2011	35.42%	33.28%
2010	34.65%	31.85%
2009	34.13%	31.52%

Permits Are Still Well Below Historic Norms...



Single-Family building permit activity, an indicator of new construction, remains in positive territory, beginning with strong back-to-back growth in both the 2012 and 2013 calendar years (over 30% in each year). The final data for the 2014 calendar year revealed significantly slowing (but still positive) activity—posting only 1.6% growth over the prior year. However, annual activity for the 2015 through 2018 calendar years again ran well above their individual periods a year prior, posting double-digit growth in each year: 20.3% in 2015, 11.1% in 2016, 13.5% in 2017, and 13.8% in 2018. In 2019, activity slowed again to 2.9%.

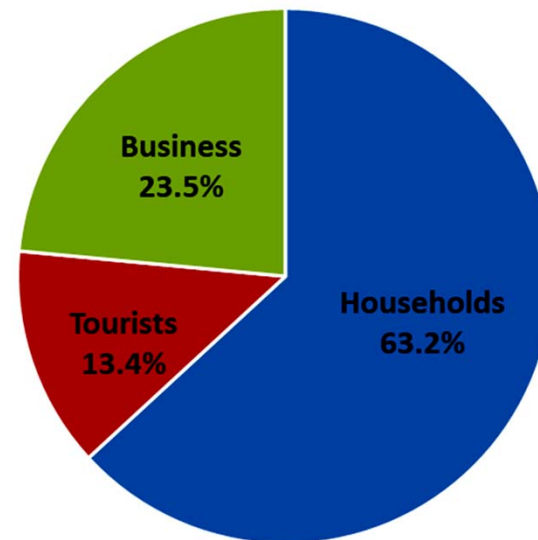
Even with the strong percentage growth rates in six of the last eight calendar years, the level is still low by historic standards – just 63.8% of the long-run per capita level. The preliminary data for the 2020 calendar year is suggesting more robust growth than seen in 2019, despite the pandemic.

Florida-Based Downside Risk

Florida's tourism-sensitive economy is particularly vulnerable to the longer-term effects of the pandemic. Previous economic studies of disease outbreaks have shown that it can take as much as 12 to 15 months after the outbreak ends for tourism to return to pre-disease levels. The magnitude of this event is greater. The total number of tourists declined -60.3 percent from the prior year in the second quarter of 2020. After that breathtaking decline, tourism in the third quarter managed to recover to 35.4 percent of the prior year's level, buttressed by the stronger than anticipated number of domestic visitors travelling by car. Several industry groups have already predicted that it will take at least two years to reach recovery from this pandemic. Current expectations are that leisure driving vacations will recover first, and then—in order—business travel, domestic air travel, and international travel.

The Legislative Office of Economic and Demographic Research has updated and refined an empirical analysis of the various sources of the state's sales tax collections. In FY 2017-18, sales tax collections provided over \$24.1 billion dollars or 76.4% of Florida's total General Revenue collections. Of this amount, an estimated 13.4% (over \$3.2 billion) was directly attributable to purchases made by tourists. Preliminary data for FY 2018-19 indicates that the visitor share rose to 14.5% for nearly \$3.7 billion dollars.

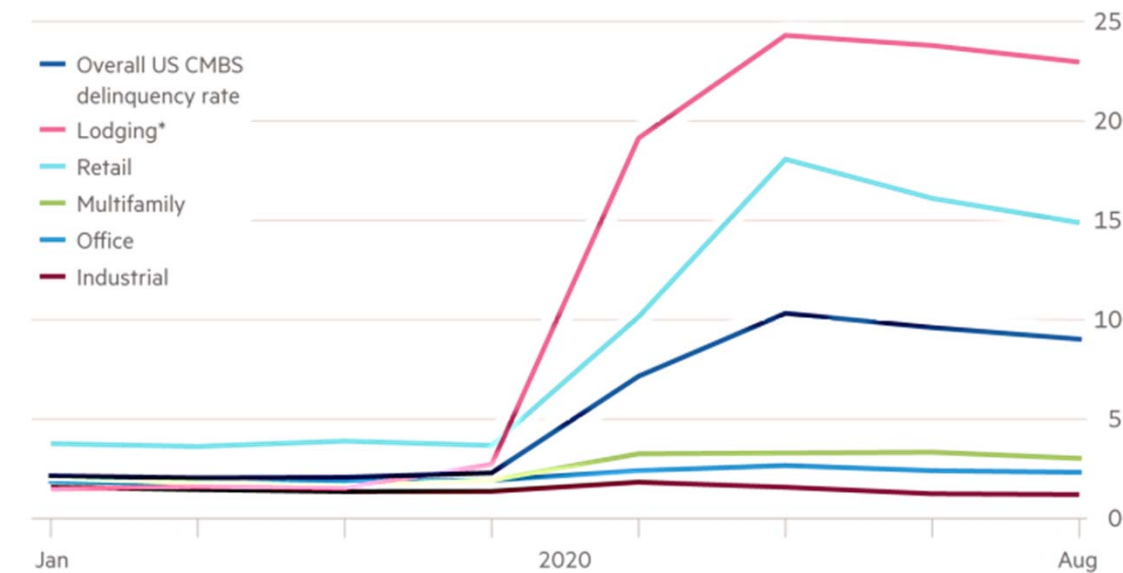
**Contributions to General Revenue from Sales Tax (with CST)
Collections in FY 2017-18, By Source**



Commercial Real Estate...

Commercial mortgage-backed securities delinquencies

Delinquency rate, 2020 (%)



* The lodging category is largely made up of hotels

Source: Trepp

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In addition to Sales Tax, worsening commercial real estate conditions materially affected the new forecasts for Corporate Income Tax and Ad Valorem. Reduced profitability, involuntary structural changes, business failures and delayed business formations are all factors.

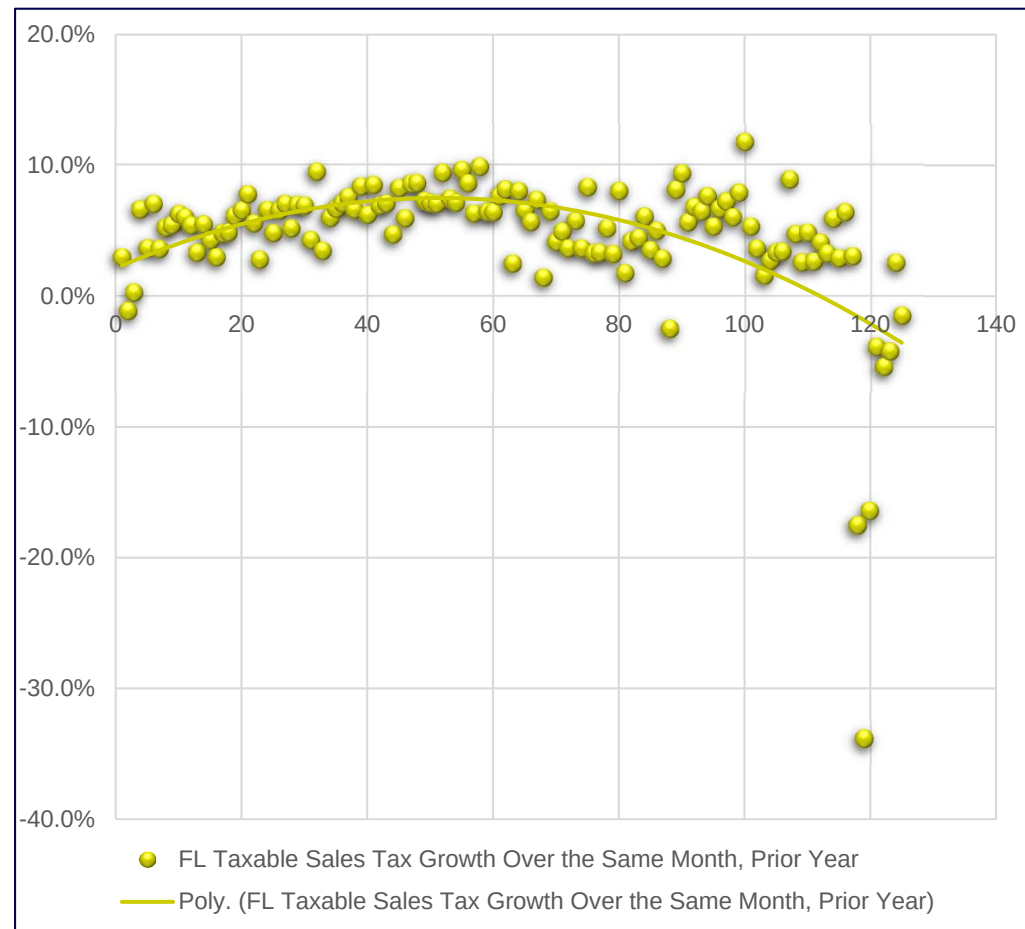
Federal Open Market Committee
Minutes from late July:

- ❖ Bank lending standards for commercial real estate (CRE) loans have tightened, according to the July Senior Loan Officer Opinion Survey (SLOOS), and CRE loan growth at banks slowed. The credit quality of existing CRE loans continued to deteriorate as further signs of repayment difficulties emerged, most notably in the lodging and retail sectors.
- ❖ Financing conditions for small businesses remained tight. Banks reported in the July SLOOS that the level of standards for small businesses was at the tighter end of the range since 2005. At the same time, the credit needs of small businesses remained high, as the prospect arose of many businesses having to shut down operations again in response to rising coronavirus cases. Small business loan performance deteriorated significantly; short-term delinquencies were comparable with levels seen in early 2008.

Florida Taxable Sales...

Looking at the year-over-year change in taxable sales, Florida's volatility over the prior year has been dramatic since the onset of the pandemic. Even at that, taxable sales activity has been bolstered by redirected spending from the hard-hit service sector and some consumers' ability to draw down atypically large savings that built up during the pandemic. After increasing to a 33.7 percent rate in April from the 7.9 percent for the entire 2018-19 fiscal year, just released personal income data indicated that the personal savings rate had further dropped to 12.9 percent in November. By EDR's analysis, reduced savings have been responsible for at least \$177.6 million in sales tax collections since the beginning of the fiscal year—and likely more as purchasing stays focused on taxable goods rather than services. However,

how people spend has changed. On November 19, 2020, the Census Bureau of the US Department of Commerce released its quarterly retail e-commerce sales report. The third quarter 2020 e-commerce sales number increased 36.7 percent from the third quarter of 2019, while total retail sales increased just 7.0 percent. E-commerce sales for the third quarter of 2020 accounted for 14.3 percent of total sales, as compared to the third quarter of 2019 when the share was 11.2 percent.



Data through November 2020

General Revenue Forecast Comparison...

Fiscal Year	January 2020		Sales Tax		Share of GR
	Forecast	Growth	GR	Growth	
2004-05	24,969.4		17,628.9		70.6%
2005-06	27,074.8	8.4%	19,367.4	9.9%	71.5%
2006-07	26,404.1	-2.5%	19,435.2	0.4%	73.6%
2007-08	24,112.1	-8.7%	18,428.9	-5.2%	76.4%
2008-09	21,025.6	-12.8%	16,531.4	-10.3%	78.6%
2009-10	21,523.1	2.4%	16,014.7	-3.1%	74.4%
2010-11	22,551.6	4.8%	16,638.3	3.9%	73.8%
2011-12	23,618.8	4.7%	17,422.0	4.7%	73.8%
2012-13	25,314.6	7.2%	18,417.6	5.7%	72.8%
2013-14	26,198.0	3.5%	19,707.7	7.0%	75.2%
2014-15	27,681.1	5.7%	21,062.7	6.9%	76.1%
2015-16	28,325.4	2.3%	21,998.0	4.4%	77.7%
2016-17	29,594.5	4.5%	22,987.4	4.5%	77.7%
2017-18	31,218.2	5.5%	24,138.7	5.0%	77.3%
2018-19	33,413.8	7.0%	25,385.3	5.2%	76.0%
2019-20	33,249.3	-0.5%	26,185.6	3.2%	78.8%
2020-21	34,449.3	3.6%	27,022.9	3.2%	78.4%
2021-22	35,686.8	3.6%	27,849.6	3.1%	78.0%
2022-23	37,141.1	4.1%	28,756.3	3.3%	77.4%
2023-24	38,372.6	3.3%	29,705.9	3.3%	77.4%
2024-25	39,702.6	3.5%	30,709.1	3.4%	77.3%

Fiscal Year	December 2020		Sales Tax		Share of GR
	Forecast	Growth	GR	Growth	
2019-20	31,366.2	-6.1%	24,591.3	-3.1%	78.4%
2020-21	32,476.0	3.5%	24,948.9	1.5%	76.8%
2021-22	34,314.1	5.7%	26,803.6	7.4%	78.1%
2022-23	36,064.5	5.1%	28,005.1	4.5%	77.7%
2023-24	37,566.7	4.2%	29,130.4	4.0%	77.5%
2024-25	39,012.5	3.8%	30,204.8	3.7%	77.4%
2025-26	40,386.7	3.5%	31,165.7	3.2%	77.2%

Through November, revenue estimates had gained slightly over \$1.0 billion to the Conference expectations, with reason to believe that December would add to the overage. Because the continuing risk to the forecast is still high due to the pandemic-induced economic effects on Florida's tourism-sensitive economy, the Revenue Estimating Conference largely banked the year-to-date overage and assumed that the rest of the year would perform in accordance with the prior forecast. Even at that, the Conference made sizeable adjustments to the forecast adopted in August. Anticipated revenues were revised upward by nearly \$1.5 billion in FY 2020-21 and by \$623 million in FY 2021-22, for a two-year combined increase of \$2.1 billion—restoring 39.0 percent of \$5.4 billion reduction taken in August.

By far the largest adjustment in the new forecast relates to Sales Tax. The anticipated gain to General Revenue is \$806.6 million in FY 2020-21 and \$205.3 million in FY 2021-22, with five of six sales tax categories seeing increases in FY 2020-21. Only expected revenues in the vulnerable Tourism & Recreation sector were reduced. Even though a significant part of this category relates to the number of out-of-state tourists, this category also includes sales to Florida residents at restaurants, local attractions and other leisure-based activities which have also been negatively affected by the pandemic. The year-to-date gain in this category relates to restaurant sales which are particularly sensitive to individual social-distancing decisions as consumers face a resurgence in the pandemic.

General Revenue Outlook...

NOTE: The Outlook balance is adjusted for budget amendments and revenue adjustments occurring after its adoption on 12/21/2020.

FY 2020-21 ...	
Beginning Balance	6,352.2
Estimated Revenues	30,990.1
BP, TF Transfers, Reversions, Fed Funds Interest Earn Rebate	217.1
December 2020 Forecast Change	1,485.9
Tobacco Settlement Lawsuit Payment	192.9
COVID-19 Reimbursement (August to December Outlooks)	83.1
COVID-19 Reimbursement (Post 12-21-2020)	0.3
FEMA Reimbursement (Hurricanes Irma & Michael)	21.7
FEMA Reimbursement (Hurricanes Irma & Michael (Post 12-21-2020)	0.1
Additional Retrospect-Related Adjustments	(119.7)
Total Revenues	39,223.7
Total Appropriations, GAA Actions & Substantive Appropriations	34,795.9
Transfer to BSF	100.0
Budget Amendments through 8/14/2020	896.2
Bridge Loans: Hurricane Sally	5.0
Hurricane Response Budget Amendments (Sally)	7.1
Hurricane Response Budget Amendments (Sally: Post 12-21-2020)	9.0
CARES Act Funds for Reemployment Assistance	67.8
CARES Act Funds to Local Governments	931.0
CARES Act Funds to Local Governments (Post 12-21-2020)	8.2
Reduction of Amendment: CARES Act Housing Assistance	(35.0)
Placed in Reserve: COVID-19 Budget Amendment	(49.4)
COVID-19 Response Budget Amendments	522.7
COVID-19 Response Budget Amendments (Post 12-21-2020)	9.5
	37,268.0
Unallocated General Revenue	1,955.7

<i>Difference from official August 14, 2020 Outlook</i>	<i>589.1</i>
<i>Difference from official December 21, 2020 Outlook</i>	<i>8.7</i>

Key Estimating Conference Changes: Fall Forecasts Relative to Summer

Cost Changes (POS = need for additional \$; NEG = \$ savings from prior estimate)	2020-21	2021-22
Medicaid (\$ millions -- General Revenue Only)	(\$201.8)	\$691.2
Bright Futures (\$ millions)	\$46.0	\$19.1
Kidcare (\$ millions -- General Revenue Only)	(\$17.7)	(\$9.1)
TANF (\$ millions)	(\$1.2)	(\$0.1)

Downward Pressures (actual \$ impact dependent on final policy decisions)	2020-21	2021-22
Prison Population (# of inmates)	(5,859.0)	(412.0)
Voluntary Prekindergarten (# of FTEs)	(28,123.6)	(291.2)
Florida College System (# of FTEs)	(10,432.0)	(5,300.0)

Key Trust Funds (\$ millions; POS = improvement; NEG = reduction)	2021-22 Difference
Educational Enhancement Trust Fund Cash Balance	\$89.5
State School Trust Fund Cash Balance	(\$0.2)
Tobacco Settlement Trust Fund	\$2.1
Risk Management Trust Fund Cash Balance	(\$4.2)
State Employees Health Insurance Trust Fund Cash Balance	\$71.3
Land Acquisition Trust Fund Forecast (after debt service)	\$61.9

Miscellaneous (% Change; POS = improvement; NEG = reduction)	2021-22 Difference
Ad Valorem Forecast (School Taxable Value)	1.0%
State Courts Revenue Trust Fund	6.9%
Local Government Fines/Fees/Charges for Clerks (Local Fiscal Year)	-0.7%
Health Care Trust Fund	1.4%
PECO Cash (no bonding)	-3.6%
State Transportation Trust Fund: Work Program	0.3%

NOTES:

Tobacco Settlement Trust Fund Balance will significantly improve in next conference cycle.

Public Schools Enrollment still to be determined.