

Florida: An Economic Overview

October 7, 2009

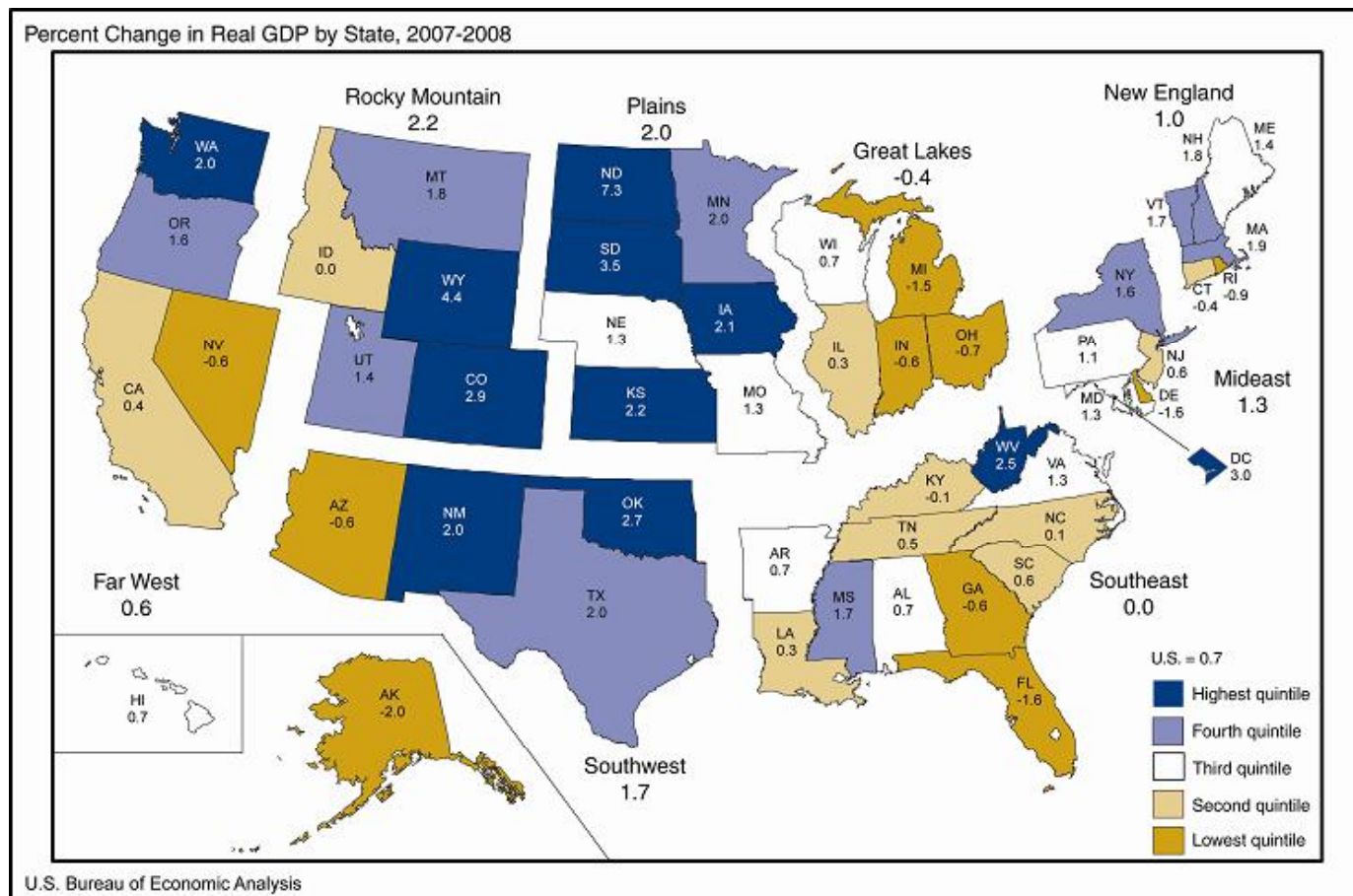
Presented by:



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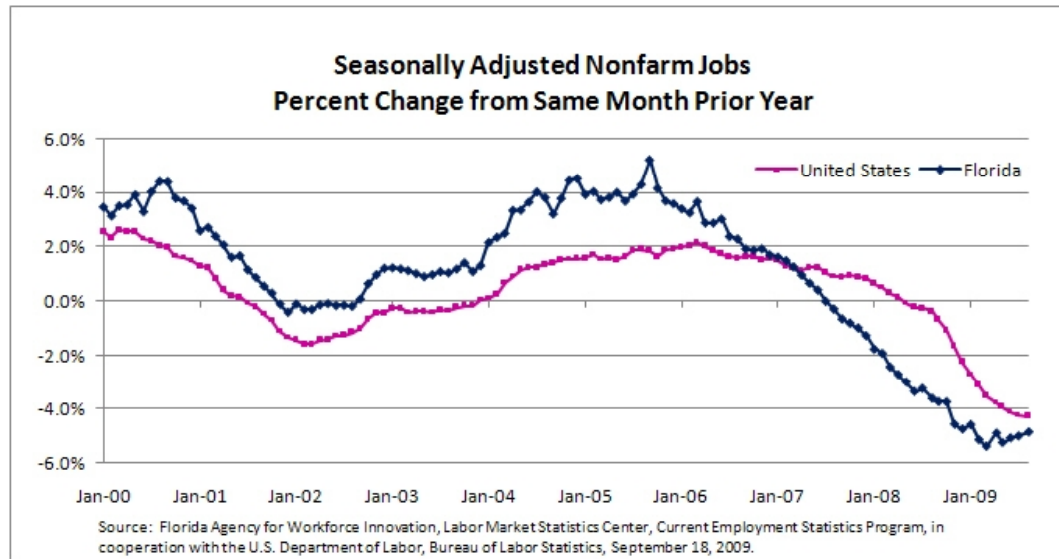
Economy Lost Ground in 2008

- Florida's growth is now declining. State Gross Domestic Product (GDP) ranked us 48th in the nation in real growth with a decline of (-1.6%) in 2008. In 2005, we were ranked 2nd in the nation.



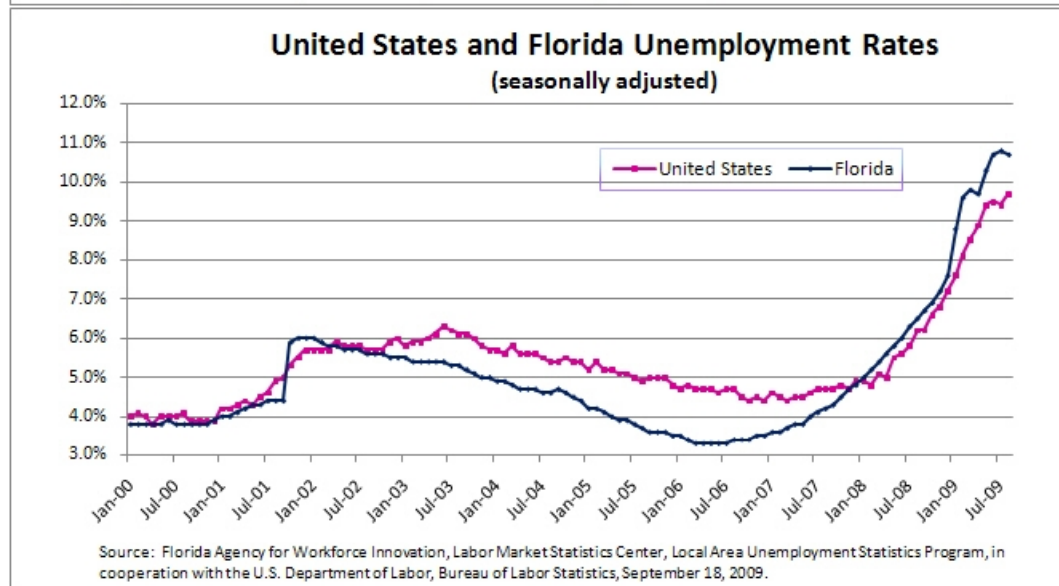
Employment Worsens

Last Comparable
1975



August (YOY)

US -4.3%
FL -4.8%
(-372,700 jobs)



August

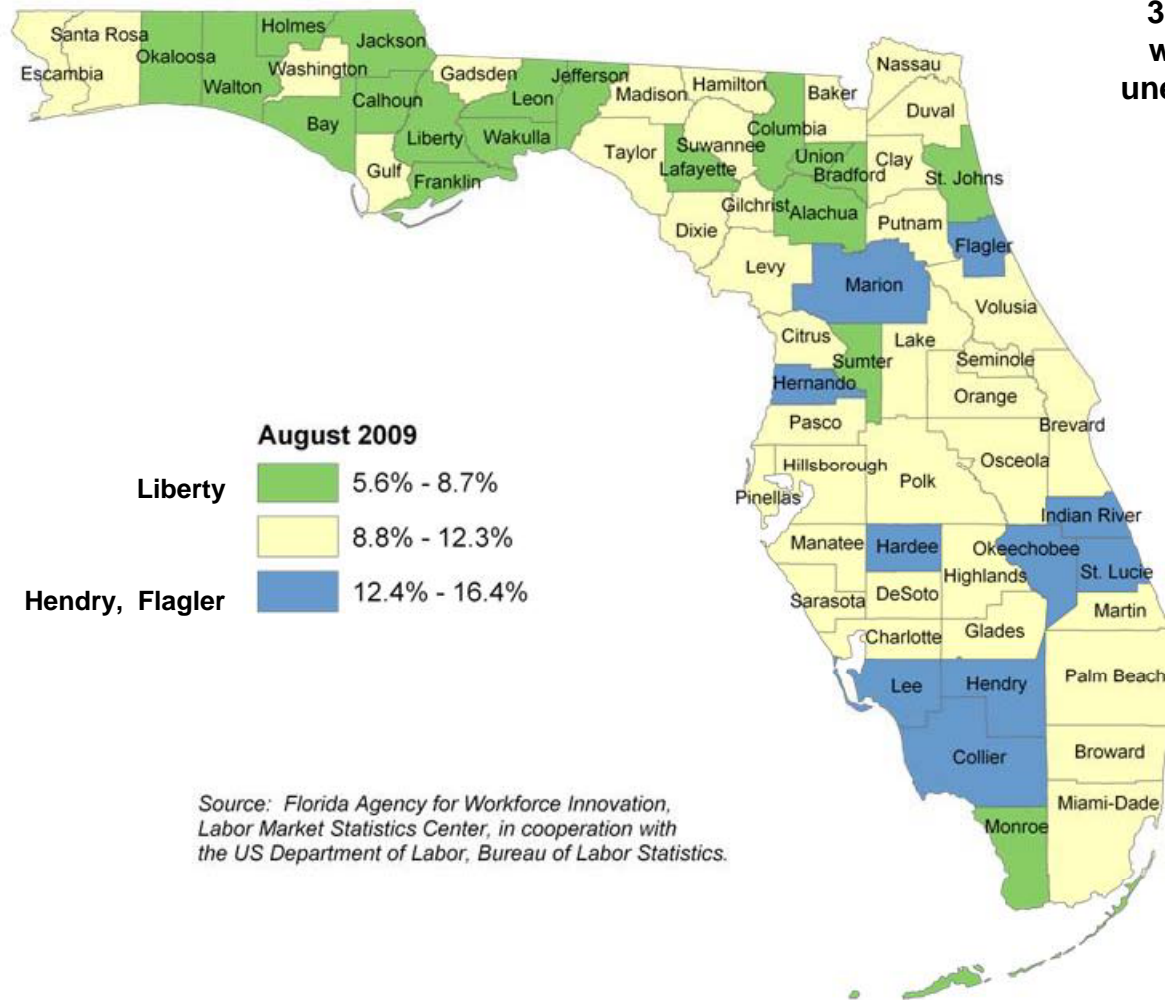
US 9.7%
FL 10.7%
(984,000 people)

Projected

FL 11.0%
Spring, 2010



Unemployment Rates



**39 of 67 counties
with double-digit
unemployment rates**

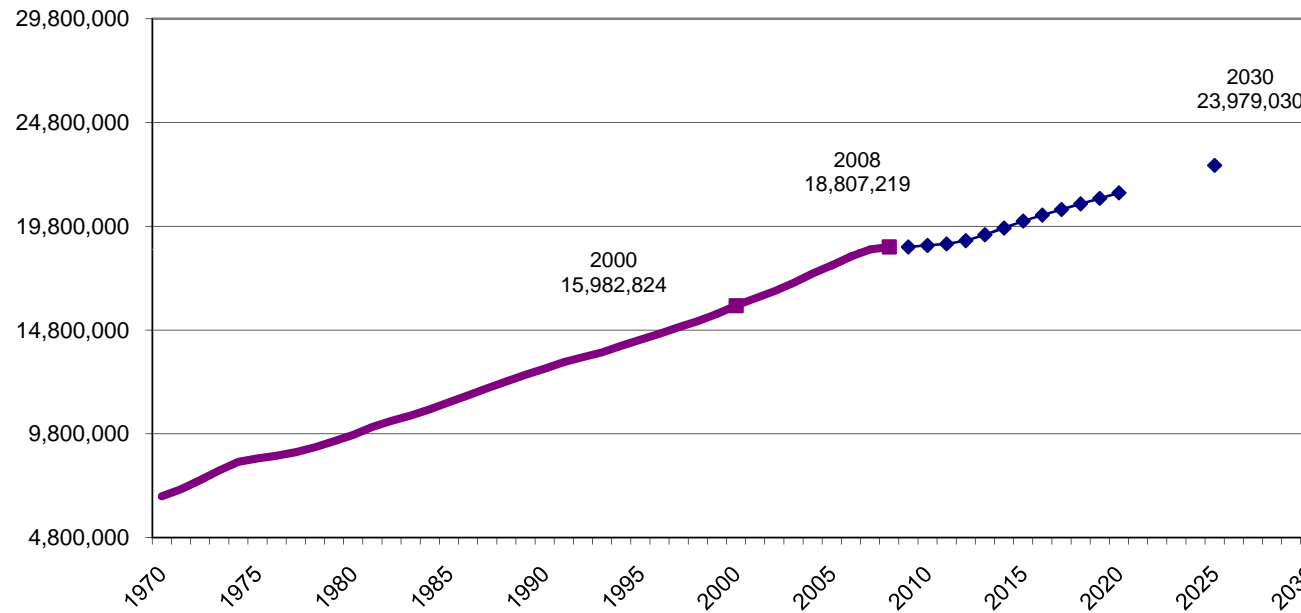


Population Growth Slowing

- Population growth is 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. In the short term, population growth is forecast to remain relatively flat – averaging 0.4% between 2008 and 2012. Population growth is expected to rebound in the future – averaging 1.1% between 2025 and 2030.
- Florida is still on track to break the 20 million mark in 2015, becoming the third most populous state sometime before then – surpassing New York.



Florida's April 1 Population

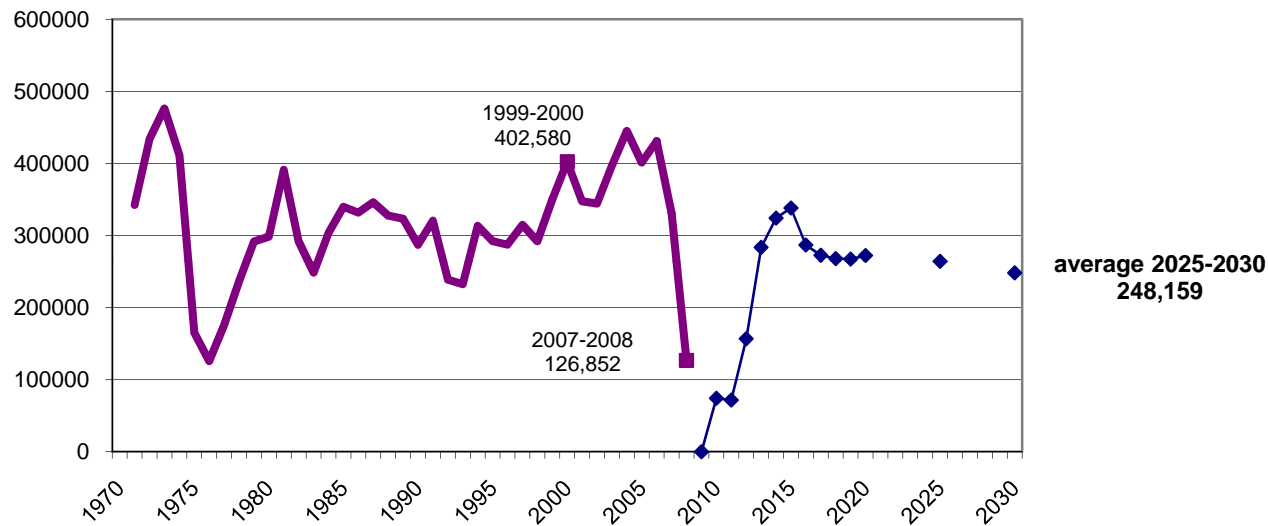


Florida's population:

- was 15,982,824 in 2000
- was 18,807,219 in 2008
- is forecast to grow to 23,979,030 by 2030



Florida's Population Growth



Population increased by:

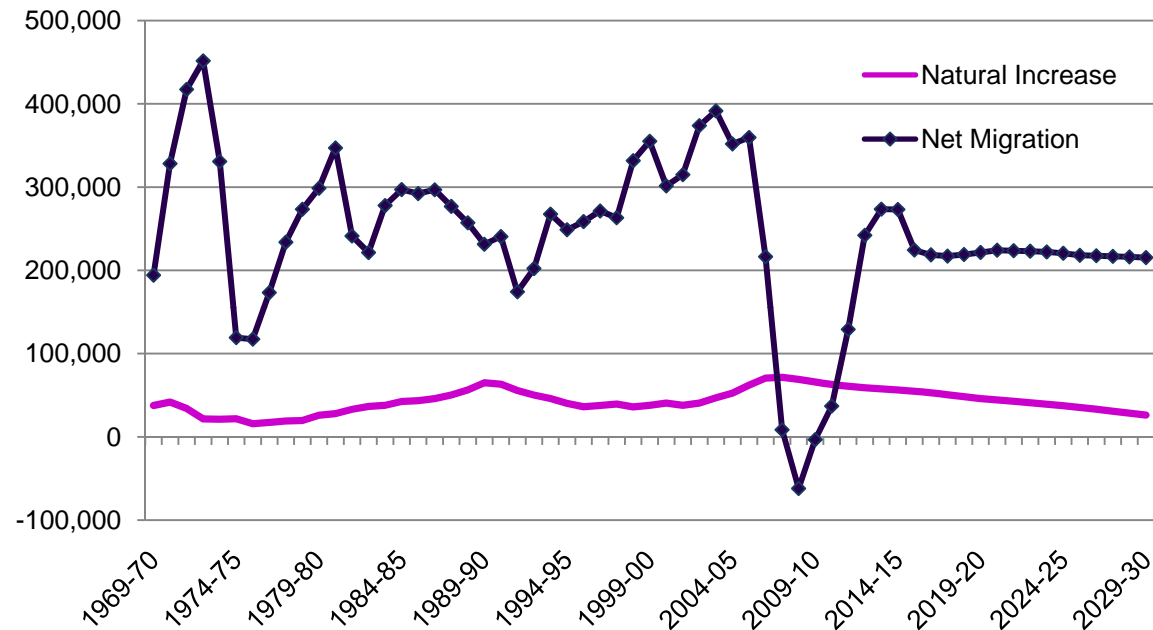
- 445,224 between 2003 and 2004
- 126,852 between 2007 and 2008

Population is forecast to increase on average by:

- -0- between 2008 and 2009 (likely revised to -58,000)
- 74,226 between 2009 and 2010
- 71,705 between 2010 and 2011
- 156,825 between 2011 and 2012
- 283,580 between 2012 and 2013



Population Components



- Typically, most of Florida's population growth is from net migration. However, between 2007 and 2008, net migration represented only 10.5 percent of Florida's population growth.
- In 2030, net migration is forecast to represent 89.2 percent of Florida's population growth.



Recession – A Little Longer

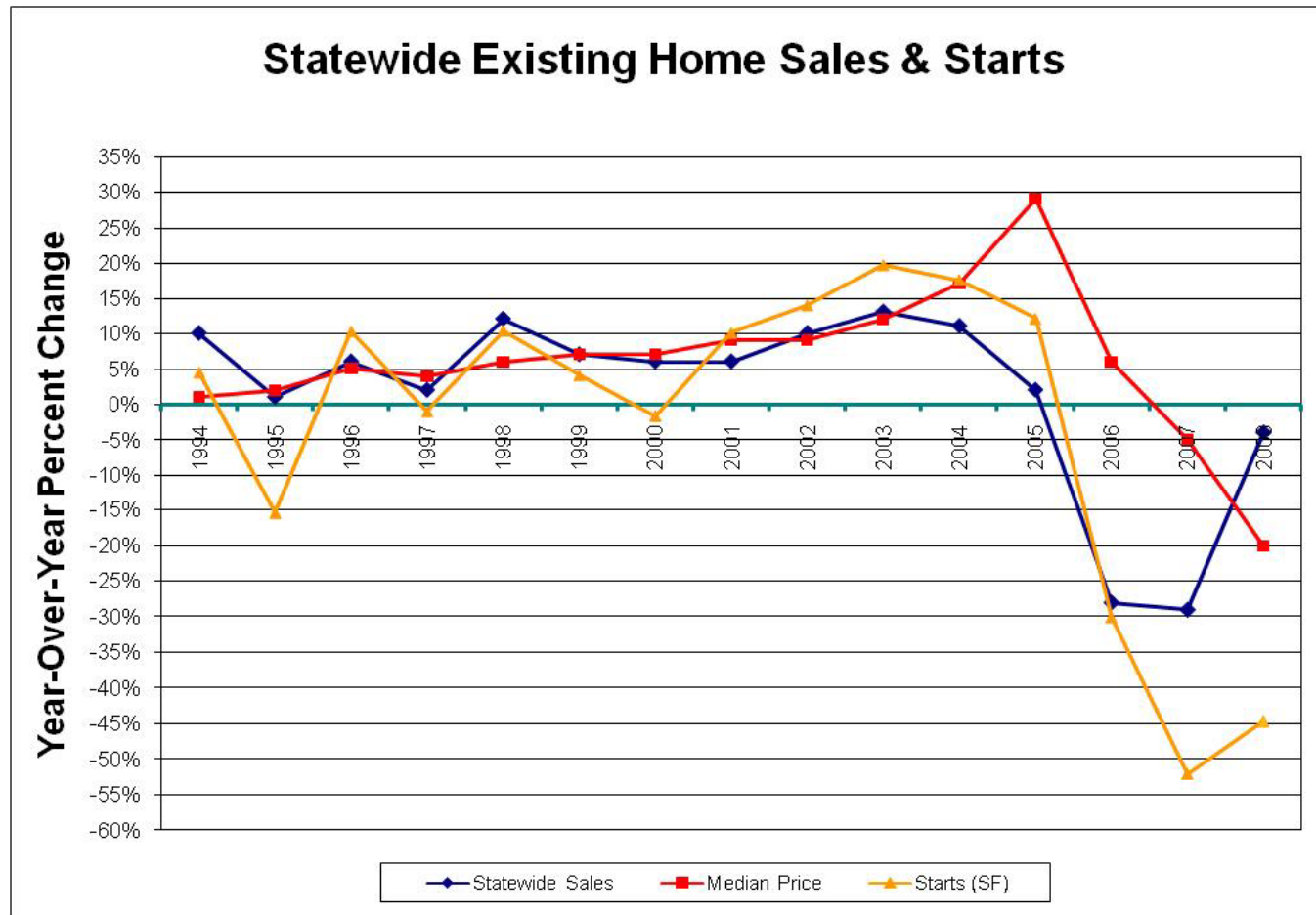
- United States economy has officially been in a recession since December 2007.
- The longest recession now on record – and projected to last until the Spring of 2010.

Recessions since the Great Depression

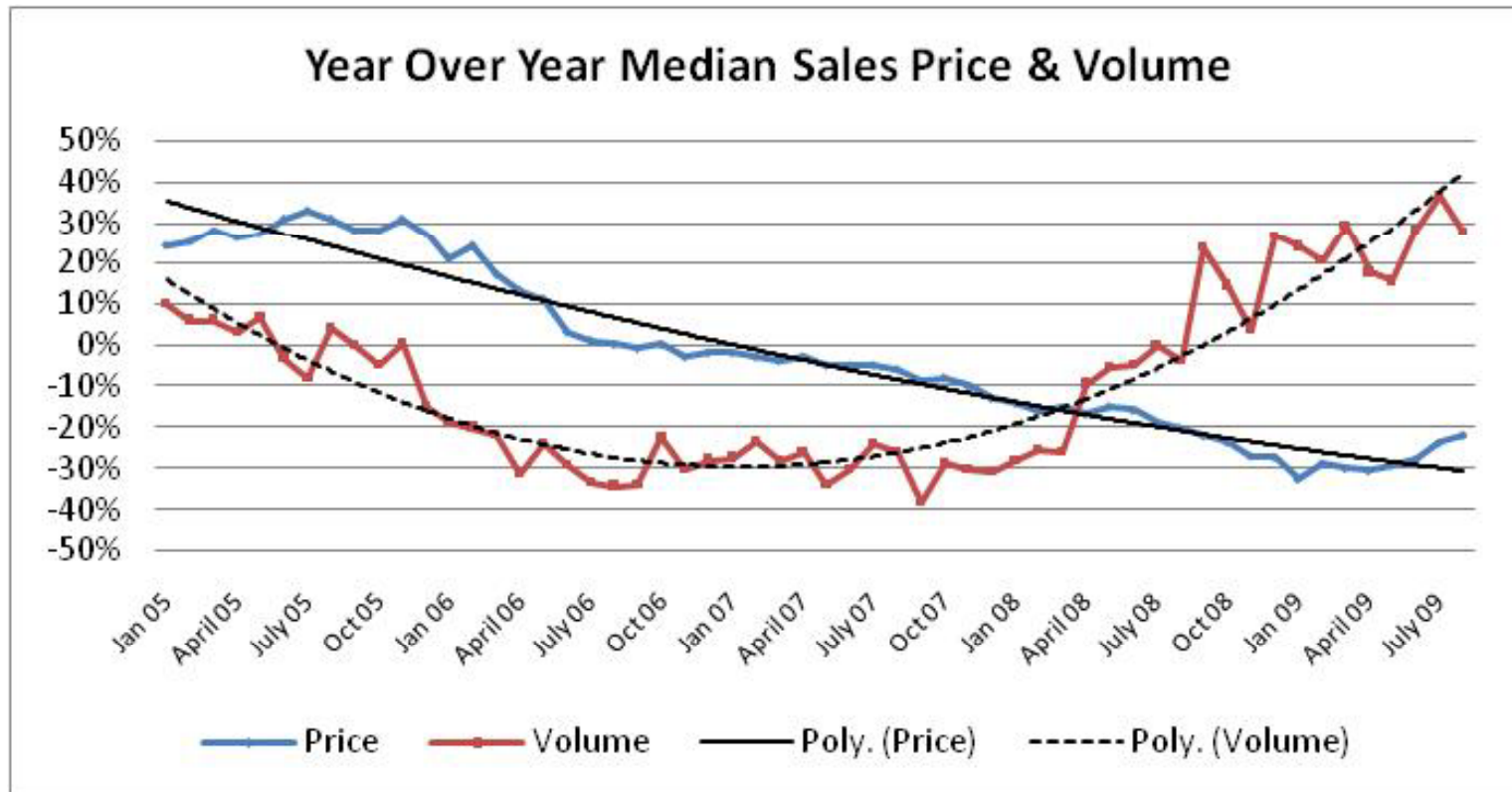
<u>Recession</u>	<u>Duration</u>	<u>Recession</u>	<u>Duration</u>
2001	8 mos	1960-1961	10 mos
1990-1991	8 mos	1957-1958	8 mos
1981-1982	16 mos	1953-1954	10 mos
1980	6 mos	1948-1949	11 mos
1973-1975	16 mos	1945	8 mos
1969-1970	11 mos	1937-1938	13 mos



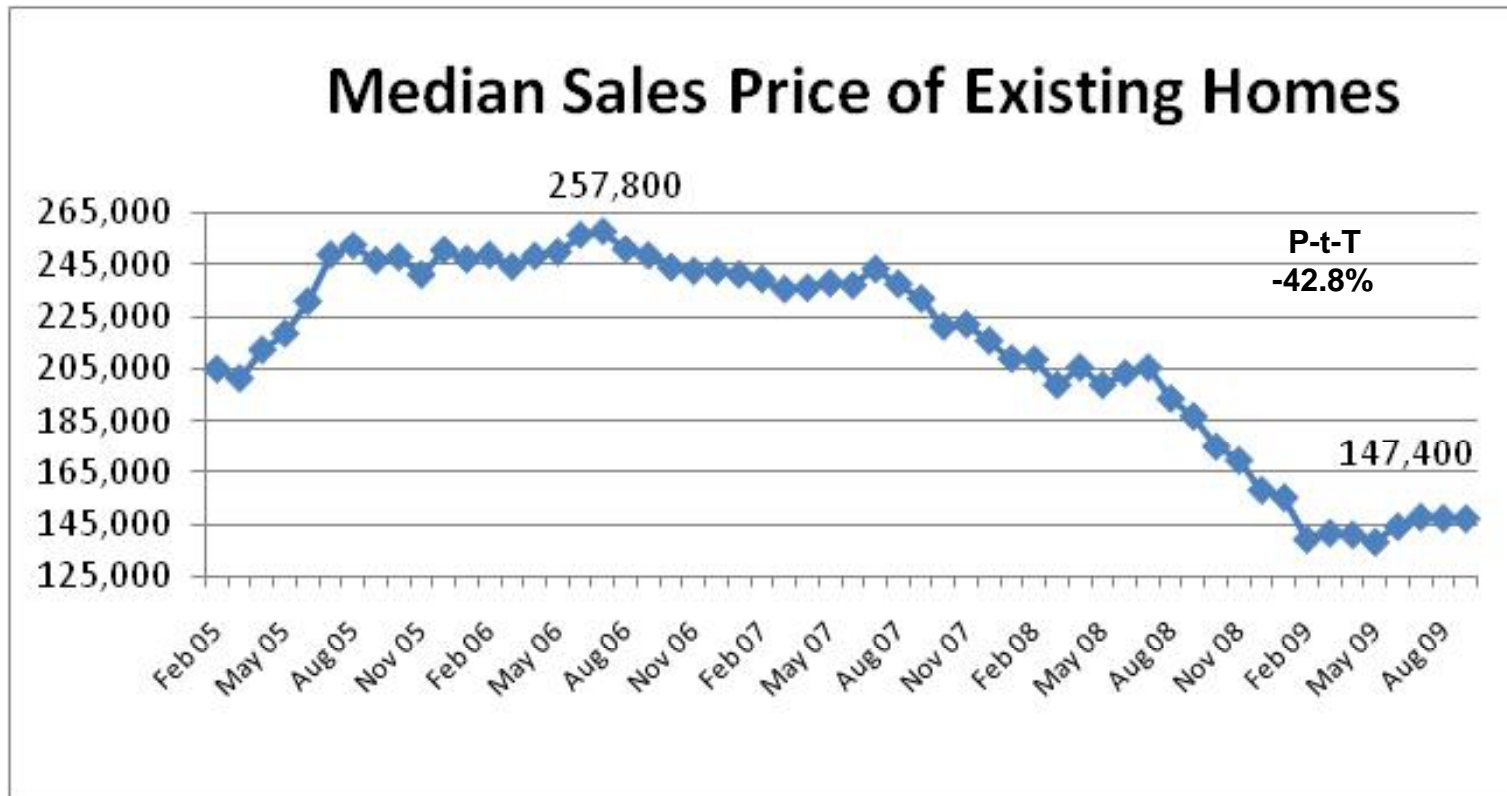
Florida Housing is Improving



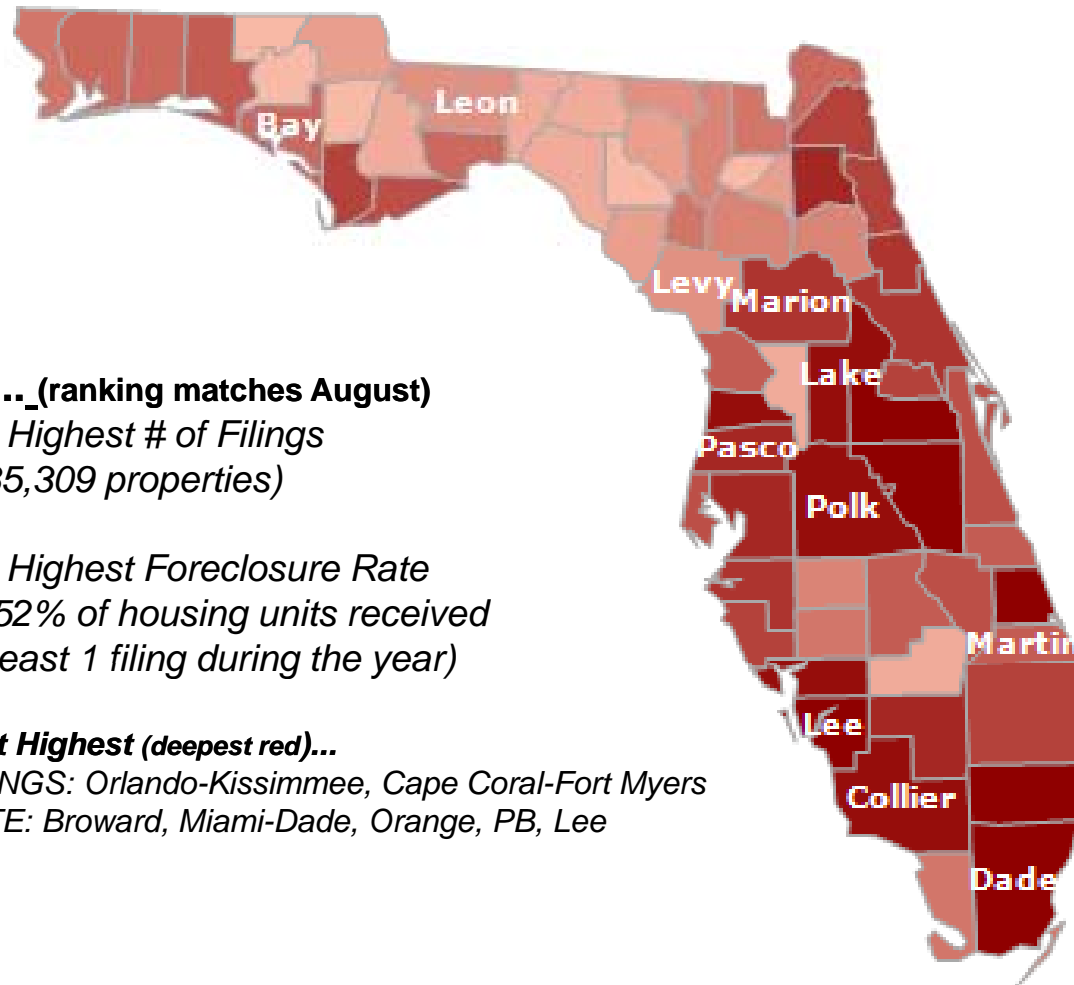
Existing Homes Sales Growing



Existing Home Prices Flattening



Foreclosure Filings Bottoming?



2008... (ranking matches August)

*2nd Highest # of Filings
(385,309 properties)*

*2nd Highest Foreclosure Rate
(4.52% of housing units received
at least 1 filing during the year)*

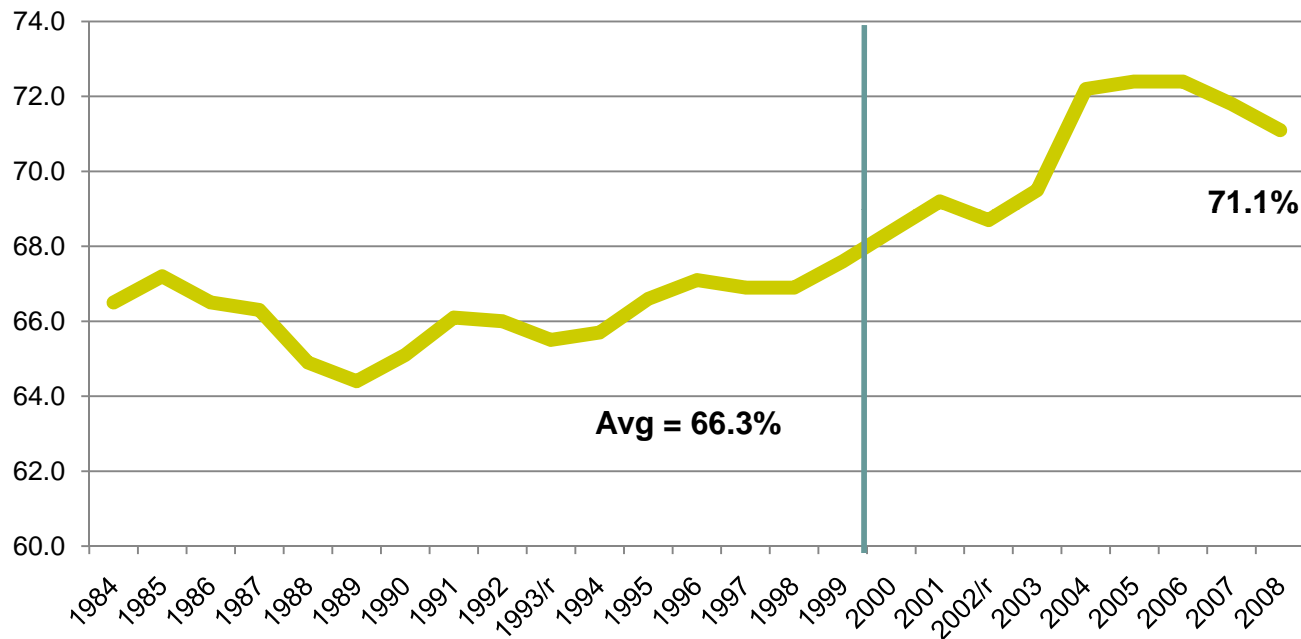
August Highest (deepest red)...

*FILINGS: Orlando-Kissimmee, Cape Coral-Fort Myers
RATE: Broward, Miami-Dade, Orange, PB, Lee*



Vulnerability

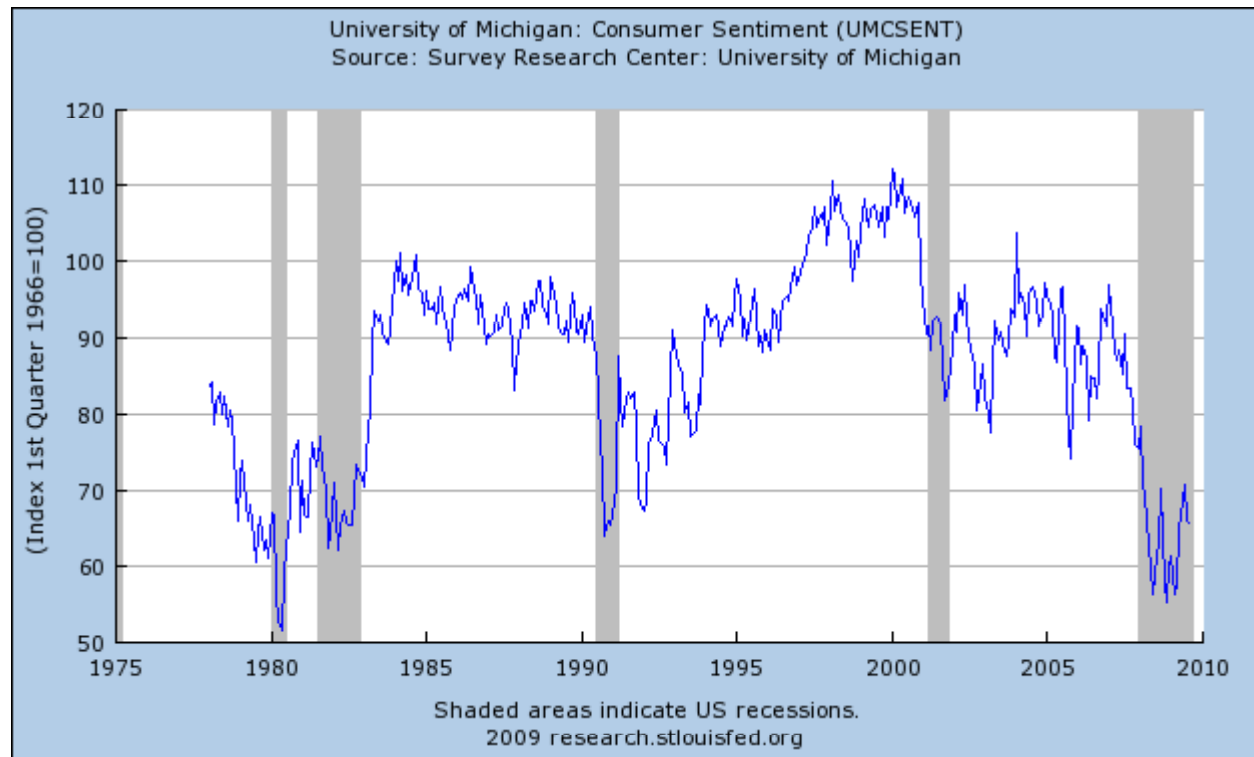
Florida Homeownership Rate



If the 2008 rate dropped immediately back to the long-run average, 359,990 homeowners would be affected and over \$74 billion of value.



Sentiment is Stabilizing

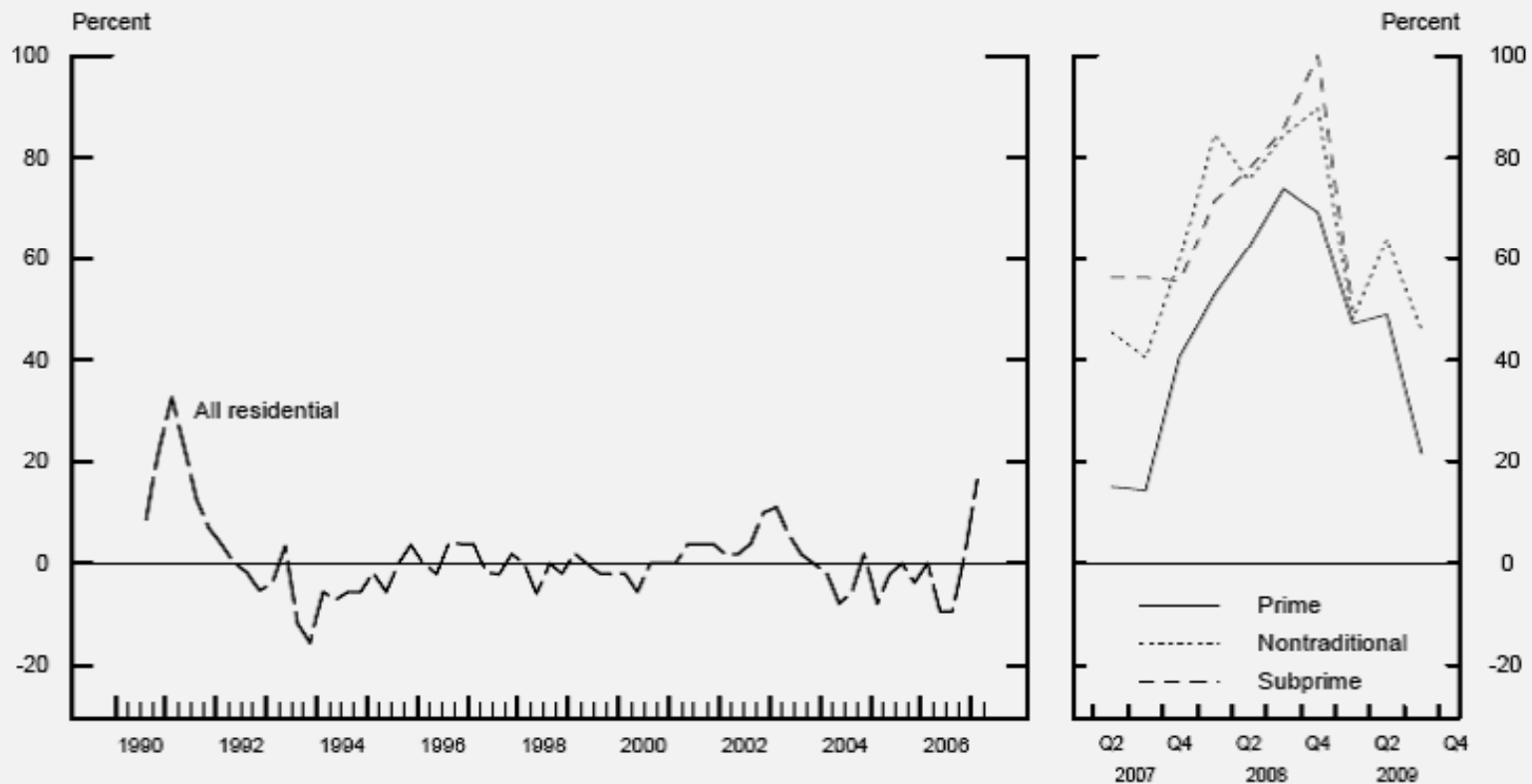


- Consumer sentiment can be a leading indicator of recession: nationally, it is improving from near the lowest levels ever obtained (65.7 in August versus 51.7 in May 1980), but still fluctuating.
- Florida's consumer confidence (August: 70 versus a record low 59 fourteen months ago) is following the national trend.



Credit Market

Net Percentage of Domestic Respondents Tightening Standards for Residential Mortgage Loans



Note: For data starting in 2007:Q2, changes in standards for prime, nontraditional, and subprime mortgage loans are reported separately.



Revenue: Bringing It Together

- Drags are more persistent relative to some past events, and strength will be slow to return.
- Credit Market, while much improved, remains sluggish and still difficult to access.
- Global recessionary conditions affect international migration, tourism and spending decisions, as well as exports.
- U.S. Consumers are responding to massive wealth destruction and tighter credit conditions.
- Recovery in the Florida housing market is not anticipated to begin until the latter half of Fiscal Year 2010-11.



The Economy Will Rebound

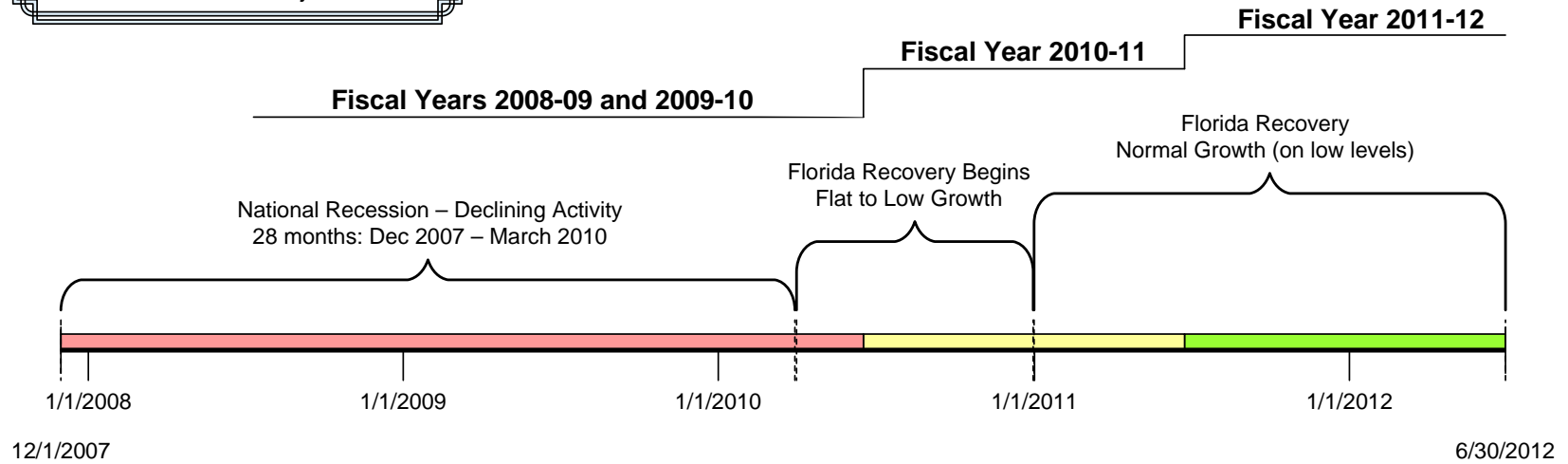
By Summer 2010, growth rates will begin a slow return to more typical levels. In the meanwhile...

- 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 July: \$178,300 nationally vs. \$147,600 in Florida...17.2% 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.



Florida Recovery Timeline

Summer 2009 Projections



Fiscal Years 2008-09 and 2009-10

Florida registration of new light vehicles declines.

Florida visitors decline.

Fiscal Year 2010-11

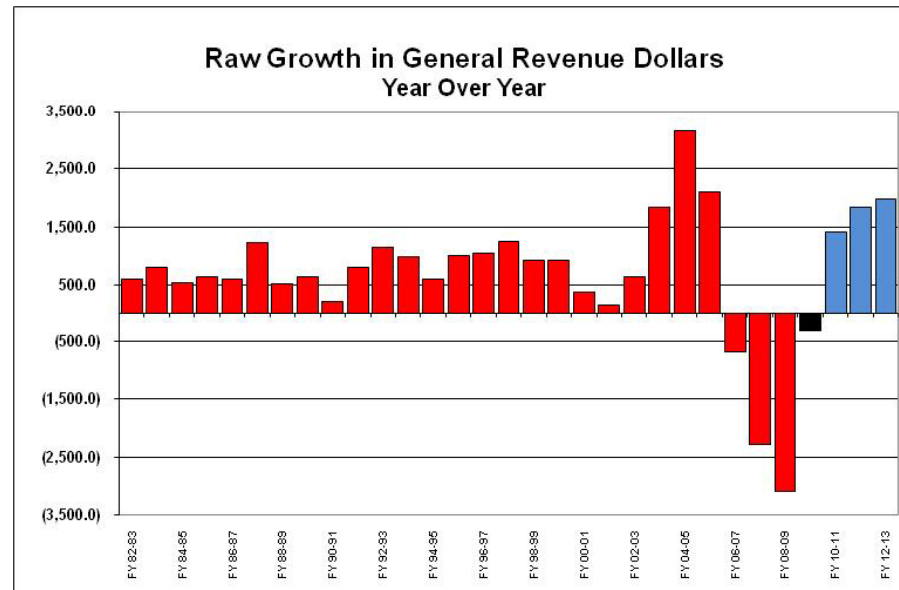
Fiscal Year 2011-12

Florida population growth is still weak.

Florida unemployment rate improves slowly.



Lower General Revenue Estimate



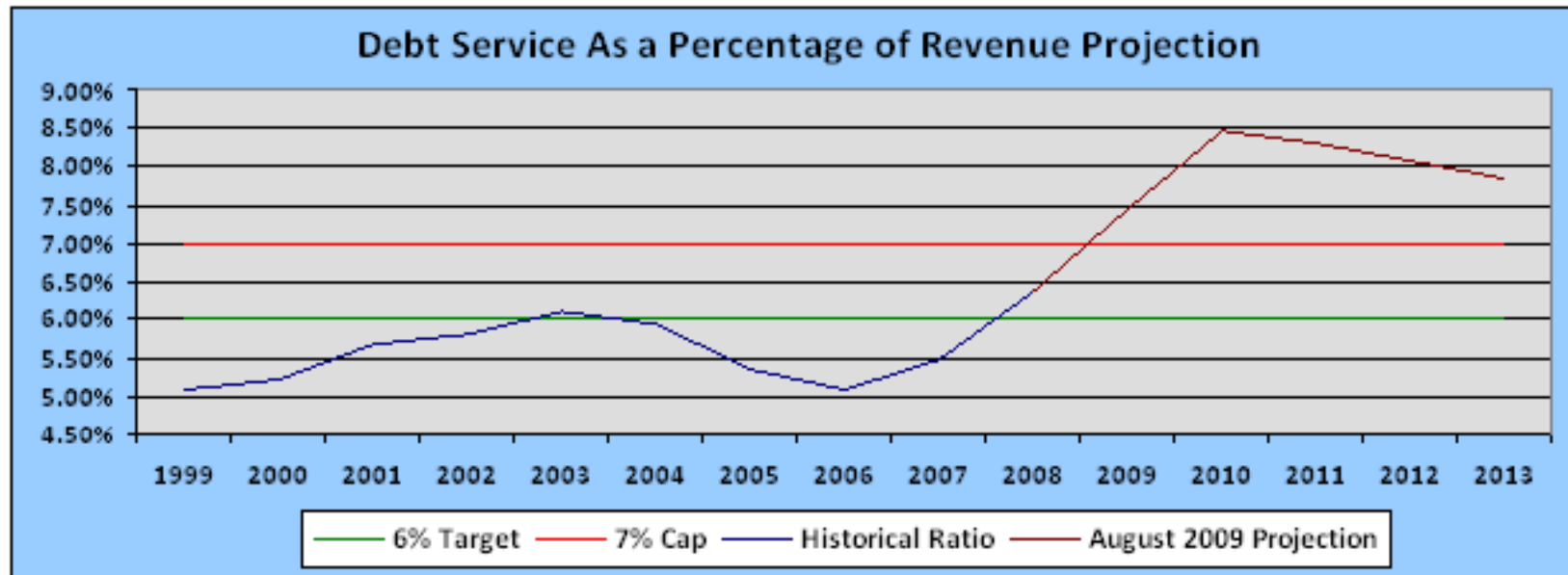
Fiscal Year	Original Forecast	Revised for Session	New Forecast	Difference (New - Rev)	Incremental Growth	Growth
2005-06	27074.8					8.4%
2006-07	26404.1					-2.5%
2007-08	24112.1					-8.7%
2008-09	20944.6	20944.6	21025.6	81.0	-3086.5	-12.8%
2009-10	19998.4	20840.3	20693.2	-147.1	-332.4	-1.6%
2010-11	21091.2	22141.2	22097.0	-44.2	1403.8	6.8%
2011-12	23007.9	24038.2	23914.8	-123.4	1817.8	8.2%
2012-13	24950.6	25991.2	25879.4	-111.8	1964.6	8.2%

Other Revenues

- The **Educational Enhancement and Tobacco Settlement Trust Funds** will have little or no long-term growth. Each fund begins the last year of the Outlook period with fewer total dollars for expenditure than were available in Fiscal Year 2009-10.
- Senate Bill 788 authorizes the ratification of an **Indian Gaming Compact** by the Florida Legislature after execution by the Governor. Revenue from the ratification that would be available for appropriation from the Educational Enhancement Trust Fund (EETF) is not included in the EETF projection of funds available.
- The **Principal State School Trust Fund** has a projected deficit in the current year that must be resolved prior to the end of the fiscal year (-\$38.1 million).



Debt Financing



Benchmark Ratio Estimated August 2009

Fiscal Year	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
August 2009 Debt Service as % of Revenue	7.46%	8.48%	8.32%	8.08%	7.83%



Current Year Deficits & Balance

Unallocated General Revenue (Current Outlook)

+\$667.1 million

- *Medicaid*

- *FY 2008-09 & 2009-10*

-\$224.8 million

- *Principal State School Trust Fund*

- *FY 2009-10*

-\$ 38.1 million

- *Risk Management Trust Fund*

- *FY 2009-10*

-\$ 5.3 million

- *Voluntary Pre-Kindergarten*

- *FY 2009-10*

-\$ 17.5 million

+\$381.4 million



Presentation Framework

- The General Revenue Fund is solvent for Fiscal Year 2009-10, but has projected shortfalls in each of the three planning years despite the significant revenue growth projected for those years.
- The Long-Range Financial Outlook assumes that non-recurring solutions are used to address the budget gaps, meaning that each year stands alone, and:
 - *that the beginning balances for the subsequent years are zero;*
 - *there are no fiscal strategies deployed that cause permanent changes to revenues or expenditures; and,*
 - *there is no required repayment of funds in future years.*



Key Budget Drivers...

Critical Needs

	FY 2010-11		FY 2011-12		FY 2012-13	
	Total GR	Total Major TF	Total GR	Total Major TF	Total GR	Total Major TF
Critical Needs (Includes Annualizations, Mandatory Increases Based on Estimating Conferences, and Other Essential Needs)						
<i>Education - Stimulus Restoration</i>	0.0	0.0	1,216.9	0.0	0.0	0.0
<i>FEFP - Workload / Class Size Red</i>	515.8	(18.8)	(7.9)	7.2	23.3	7.8
<i>Education - Misc</i>	39.0	(2.6)	18.3	(1.6)	2.8	22.9
<i>State Government Operations</i>	317.7	81.6	132.6	63.4	151.8	72.5
<i>Medicaid</i>	1,608.7	191.5	1,130.7	(324.7)	285.6	285.3
<i>Health & Human Services</i>	80.0	32.5	31.2	50.8	28.8	46.6
<i>Judiciary</i>	62.0	(62.0)	27.0	(27.0)	9.7	(9.7)
<i>Criminal Justice & Corrections</i>	154.7	0.0	234.2	0.0	299.1	0.0
<i>State Disasters</i>	9.8	0.0	9.1	0.0	7.1	0.0
<i>Unemployment Compensation</i>	0.0	0.0	126.9	0.0	199.4	0.0
<i>General Government</i>	39.7	3.9	22.7	1.3	20.9	1.3
Subtotal Critical Needs	2,827.4	226.1	2,941.7	(230.6)	1,028.6	426.6



Outlook for Critical Needs

GENERAL REVENUE OUTLOOK - COMPARISON OF ESTIMATED REVENUES TO ESTIMATED EXPENDITURES

TIER 1 ISSUES - CRITICAL NEEDS

NO FISCAL STRATEGIES --- NO RESERVE
(\$ MILLIONS)

	FY 2009-10			FY 2010-11			FY 2011-12			FY 2012-13		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Funds Available:												
Balance Forward	0.0	300.7	300.7	0.0	381.4	381.4	0.0	0.0	0.0	0.0	0.0	0.0
Revenue Estimate	20,883.9	-190.7	20,693.2	22,072.3	24.7	22,097.0	23,910.9	3.9	23,914.8	25,879.6	-0.2	25,879.4
Non-operating Funds	-4.3	272.8	268.5	-4.3	99.9	95.6	-4.3	99.9	95.6	-4.3	99.9	95.6
New Issues - Environmental Land Acquisition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer From Trust Funds	0.0	600.0	600.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funds Available	20,879.6	982.8	21,862.4	22,068.0	506.0	22,574.0	23,906.6	103.8	24,010.4	25,875.3	99.7	25,975.0
Estimated Expenditures:												
Base Budget				20,669.7	0.0	20,669.7	23,188.9	0.0	23,188.9	25,872.8	0.0	25,872.8
New Issues by GAA Section:												
Section 2 - Education	11,327.0	59.1	11,386.1	554.8	0.0	554.8	1,227.4	0.0	1,227.4	26.1	0.0	26.1
Section 3 - Human Services	4,910.1	291.5	5,201.6	1,438.5	250.2	1,688.7	1,161.8	0.0	1,161.8	314.4	0.0	314.4
Section 4 - Criminal Justice and Corrections	3,512.7	32.4	3,545.1	132.8	22.0	154.8	131.1	103.0	234.2	145.5	153.6	299.1
Section 5 - Natural Resources /Environment/Growth												
Management/Transportation	158.9	10.4	169.3	0.0	9.8	9.8	0.0	9.1	9.1	0.0	7.1	7.1
Section 6 - General Government	618.4	110.1	728.5	13.4	26.4	39.7	4.0	145.6	149.6	1.6	218.7	220.3
Section 7 - Judicial Branch	134.8	0.0	134.8	62.0	0.0	62.0	27.0	0.0	27.0	9.7	0.0	9.7
Administered Funds - Statewide Issues	7.8	22.1	30.0	317.7	0.0	317.7	132.6	0.0	132.6	151.8	0.0	151.8
Total New Issues				2,519.1	308.3	2,827.4	2,684.0	257.7	2,941.7	649.1	379.5	1,028.6
Medicaid Deficit (FY 2008-09 & FY 2009-10)		224.8	224.8									
Other Deficits (SSTF, RMTF and VPK)*		60.9	60.9									
Transfer to Budget Stabilization Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	214.5	214.5	0.0	214.5	214.5
Total Estimated Expenditures	20,669.7	811.3	21,481.0	23,188.9	308.3	23,497.2	25,872.8	472.2	26,345.1	26,522.0	594.0	27,115.9
Ending Balance	209.9	171.5	381.4	-1,120.9	197.7	-923.2	-1,966.2	-368.4	-2,334.7	-646.7	-494.3	-1,140.9

Note: Negative balances are not allowed to carry-forward to subsequent years; the assumption is that each year is addressed with a nonrecurring solution.

* State School Trust Fund (SSTF), Risk Management Trust Fund and Voluntary Pre-Kindergarten (VPK)

Key Budget Drivers...

Other High Priorities

	FY 2010-11		FY 2011-12		FY 2012-13	
	Total GR	Total Major TF	Total GR	Total Major TF	Total GR	Total Major TF
Other High Priority Needs (Includes Other Historically Funded Issues)						
<i>Statewide Buildings</i>	44.8	15.3	48.4	15.3	43.8	15.3
<i>Transportation & Environment</i>	201.2	5,831.3	236.5	5,827.1	212.4	5,952.4
<i>Environmental Land Acquisition</i>	0.0	300.0	0.0	300.0	0.0	300.0
<i>General Government</i>	120.8	42.9	110.8	38.9	100.3	22.7
<i>Education - Stimulus Restoration</i>	0.0	0.0	133.6	0.0	0.0	0.0
<i>FEFP - Enhancement</i>	498.5	0.0	516.6	0.0	551.0	0.0
<i>Education - Misc</i>	360.8	0.0	318.7	0.0	306.2	0.0
<i>State Government Operations</i>	133.7	63.5	137.0	65.0	140.3	66.6
<i>Medicaid -MEDS AD & Medically Needy</i>	250.2	424.0	582.8	784.2	582.8	784.2
<i>Health & Human Services</i>	72.7	84.7	12.0	19.5	22.2	24.1
<i>Criminal Justice & Corrections</i>	17.2	0.0	17.6	0.0	14.6	0.0
<i>Judiciary</i>	8.0	0.0	7.8	0.0	7.1	0.0
Subtotal Other High Priority Needs	1,707.9	6,761.8	2,121.6	7,050.0	1,980.8	7,165.3



Outlook for Critical & High Priority Needs

GENERAL REVENUE OUTLOOK - COMPARISON OF ESTIMATED REVENUES TO ESTIMATED EXPENDITURES

TIER 2 ISSUES - CRITICAL NEEDS AND OTHER HIGH PRIORITY NEEDS

NO FISCAL STRATEGIES --- NO RESERVE

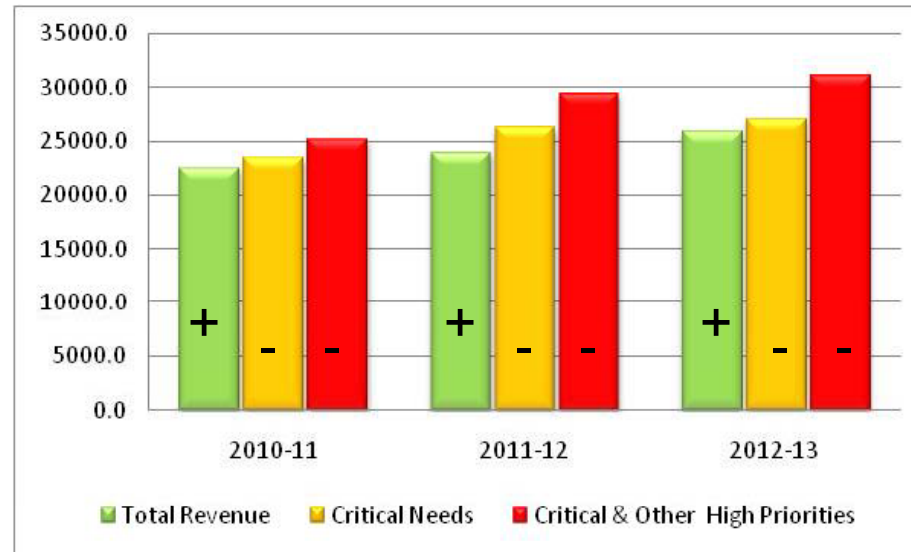
(\$ MILLIONS)

	FY 2009-10			FY 2010-11			FY 2011-12			FY 2012-13		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Funds Available:												
Balance Forward	0.0	300.7	300.7	0.0	381.4	381.4	0.0	0.0	0.0	0.0	0.0	0.0
Revenue Estimate	20,883.9	-190.7	20,693.2	22,072.3	24.7	22,097.0	23,910.9	3.9	23,914.8	25,879.6	-0.2	25,879.4
Non-operating Funds	-4.3	272.8	268.5	-4.3	99.9	95.6	-4.3	99.9	95.6	-4.3	99.9	95.6
New Issues - Environmental Land Acquisition	0.0	0.0	0.0	-30.5	7.2	-23.3	-61.0	7.2	-53.8	-91.5	7.2	-84.3
Transfer From Trust Funds	0.0	600.0	600.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funds Available	20,879.6	982.8	21,862.4	22,037.5	513.2	22,550.7	23,845.6	111.0	23,956.6	25,783.8	106.9	25,890.7
Estimated Expenditures:												
Base Budget				20,669.7	0.0	20,669.7	24,152.0	0.0	24,152.0	27,895.4	0.0	27,895.4
New Issues by GAA Section:												
Section 2 - Education	11,327.0	59.1	11,386.1	1,303.5	110.5	1,414.0	2,085.7	110.5	2,196.2	772.9	110.5	883.3
Section 3 - Human Services	4,910.1	291.5	5,201.6	1,502.7	530.2	2,032.8	1,173.8	604.0	1,777.8	336.6	604.0	940.6
Section 4 - Criminal Justice and Corrections	3,512.7	32.4	3,545.1	144.2	39.4	183.6	142.9	121.0	263.9	154.1	169.1	323.2
Section 5 - Natural Resources												
/Environment/Growth Management/Transportation	158.9	10.4	169.3	1.1	217.5	218.6	35.4	219.9	255.3	0.0	229.7	229.7
Section 6 - General Government	618.4	110.1	728.5	13.4	147.1	160.5	4.0	256.3	260.4	1.6	319.0	320.6
Section 7 - Judicial Branch	134.8	0.0	134.8	66.0	8.5	74.4	32.0	8.2	40.2	13.7	6.1	19.7
Administered Funds - Statewide Issues	7.8	22.1	30.0	451.5	0.0	451.5	269.6	0.0	269.6	292.1	0.0	292.1
Total New Issues				3,482.3	1,053.1	4,535.4	3,743.4	1,319.9	5,063.3	1,571.1	1,438.3	3,009.4
Medicaid Deficit (FY 2008-09 & FY 2009-10)		224.8	224.8									
Other Deficits (SSTF, RMTF and VPK)*		60.9	60.9									
Transfer to Budget Stabilization Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	214.5	214.5	0.0	214.5	214.5
Total Estimated Expenditures	20,669.7	811.3	21,481.0	24,152.0	1,053.1	25,205.1	27,895.4	1,534.4	29,429.8	29,466.5	1,652.8	31,119.3
Ending Balance	209.9	171.5	381.4	-2,114.5	-539.9	-2,654.4	-4,049.8	-1,423.4	-5,473.2	-3,682.7	-1,545.9	-5,228.6

Note: Negative balances are not allowed to carry-forward to subsequent years; the assumption is that each year is addressed with a nonrecurring solution.

* State School Trust Fund (SSTF), Risk Management Trust Fund (RMTF) and Voluntary Pre-Kindergarten (VPK)

Near-Term Budget Impact



Long-Range Financial Outlook Projections

Available Revenues			Critical Needs			Critical & Other High Priorities		
Fiscal Year	Total Revenue	Incremental Growth	Spending Level	Incremental Growth	Shortfall	Spending & Bonding	Incremental Growth	Shortfall
2009-10	21862.4		21481.0			21481.0		
2010-11	22574.0	3.3%	23497.2	9.4%	-923.2	25228.4	17.4%	-2654.4
2011-12	24010.4	6.4%	26345.1	12.1%	-2334.7	29483.6	16.9%	-5473.2
2012-13	25975.0	8.2%	27115.9	2.9%	-1140.9	31203.6	5.8%	-5228.6

Dollars in \$ Millions