

Florida's Economy and the Influence of Population

**Select Policy Council on Strategic &
Economic Planning
October 7, 2009**

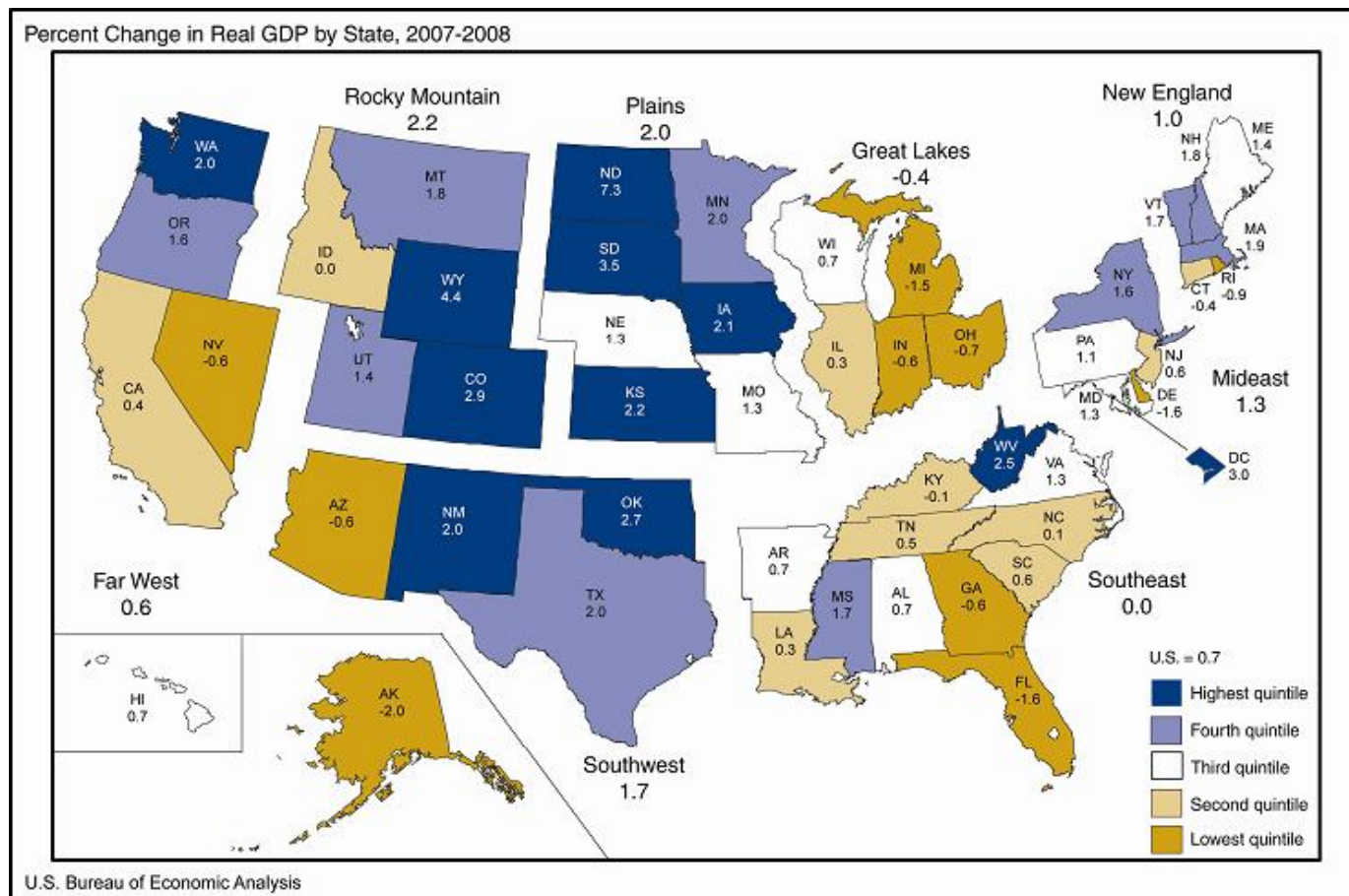
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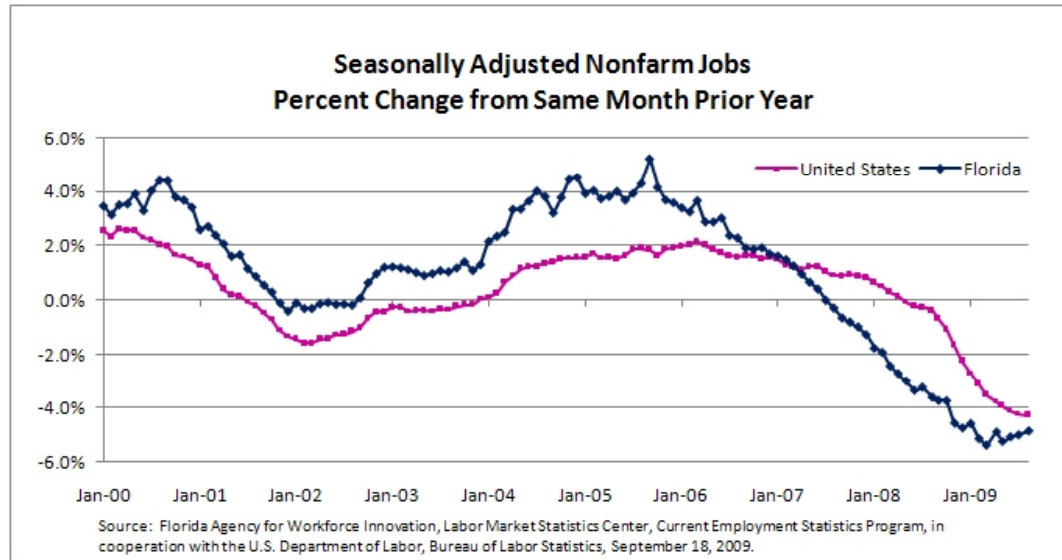
The Florida Legislature
Office of Economic and
Demographic Research
850.487.1402
<http://edr.state.fl.us>

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

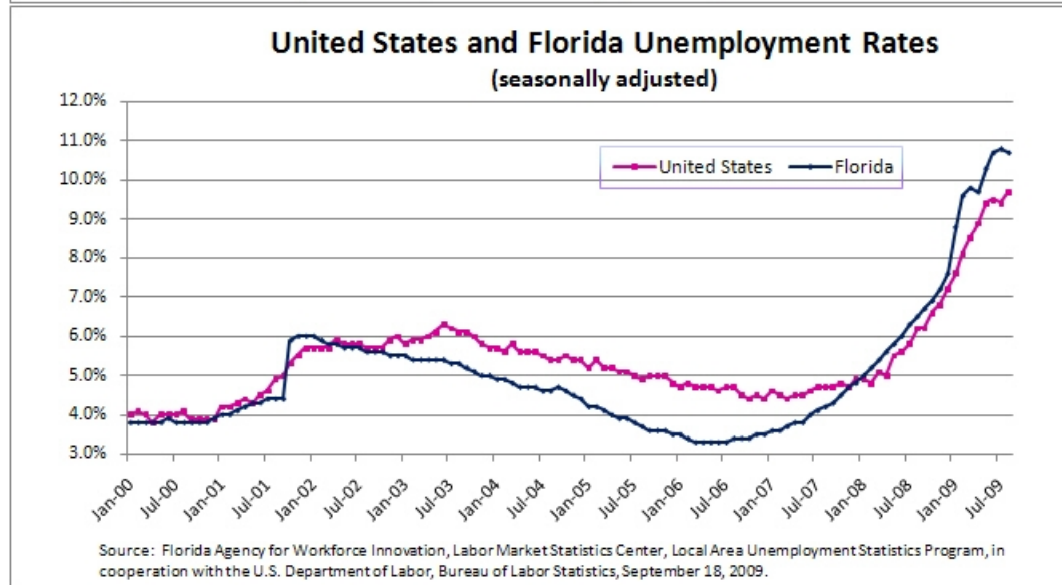


August (YOY)

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

Recent Best

Sept 2005: +5.2%



August

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

Recent Best

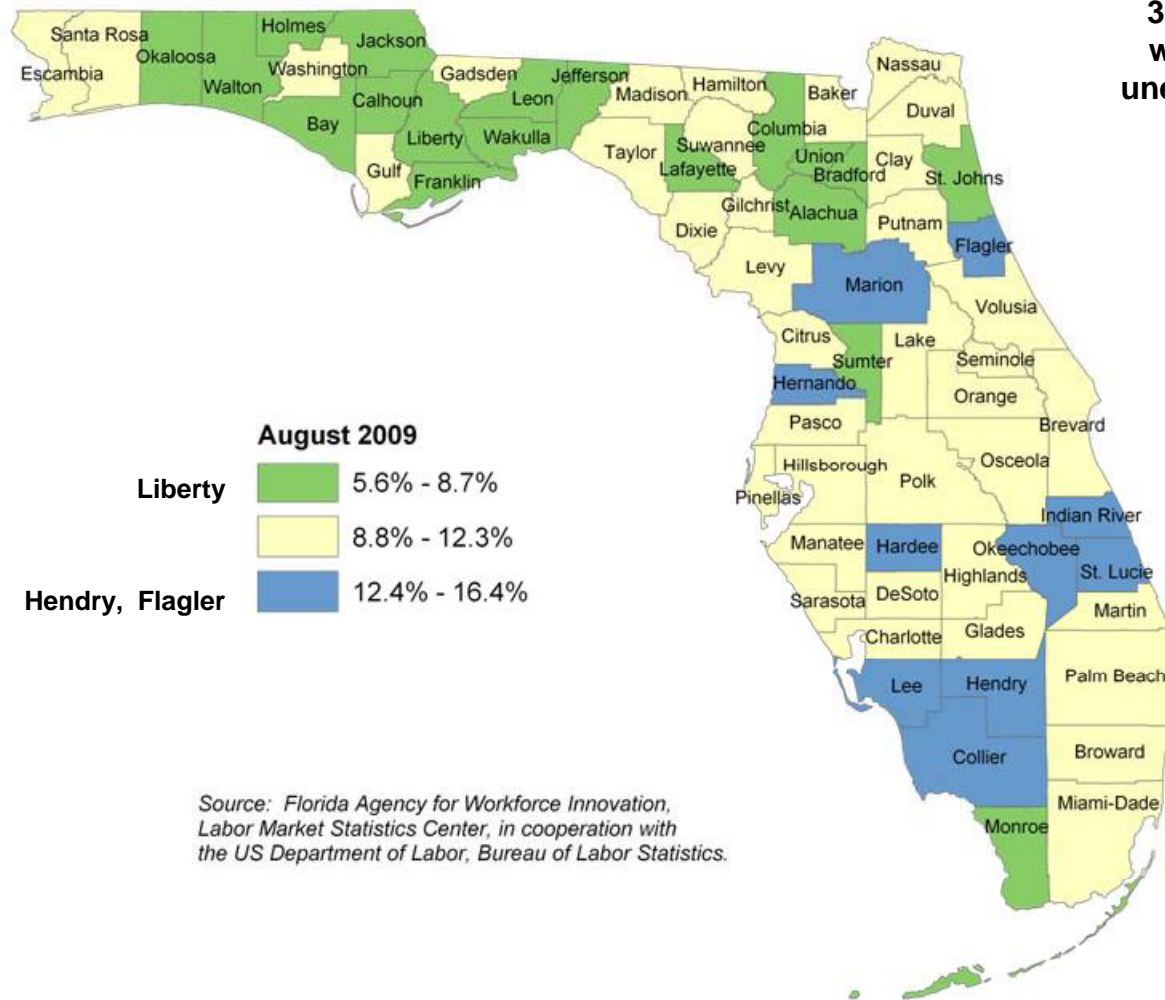
July 2006: 3.3%

Projected Bottom

FL 11.0%
Spring, 2010



Unemployment Rates



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

*Source: Florida Agency for Workforce Innovation,
Labor Market Statistics Center, in cooperation with
the US Department of Labor, Bureau of Labor Statistics.*



Sector Shares Changing

Percent of Total Employment by Major Industry				
	United States		Florida	
	2005	2008	2005	2008
Total, All Industries				
Natural Resources and Mining	1.3%	1.4%	1.3%	1.2%
Construction	5.5%	5.3%	7.5%	6.7%
Manufacturing	10.8%	9.9%	5.2%	4.8%
Trade, Transportation, and Utilities	19.5%	19.4%	20.1%	20.5%
Information	2.3%	2.2%	2.2%	2.0%
Financial Activities	6.1%	5.9%	6.8%	6.8%
Professional and Business Services	12.8%	13.1%	17.1%	14.9%
Education and Health Services	12.5%	13.3%	11.7%	13.2%
Leisure and Hospitality	9.7%	9.9%	11.4%	12.3%
Other Services	3.3%	3.3%	3.1%	3.3%
Government	15.9%	16.0%	13.6%	14.1%

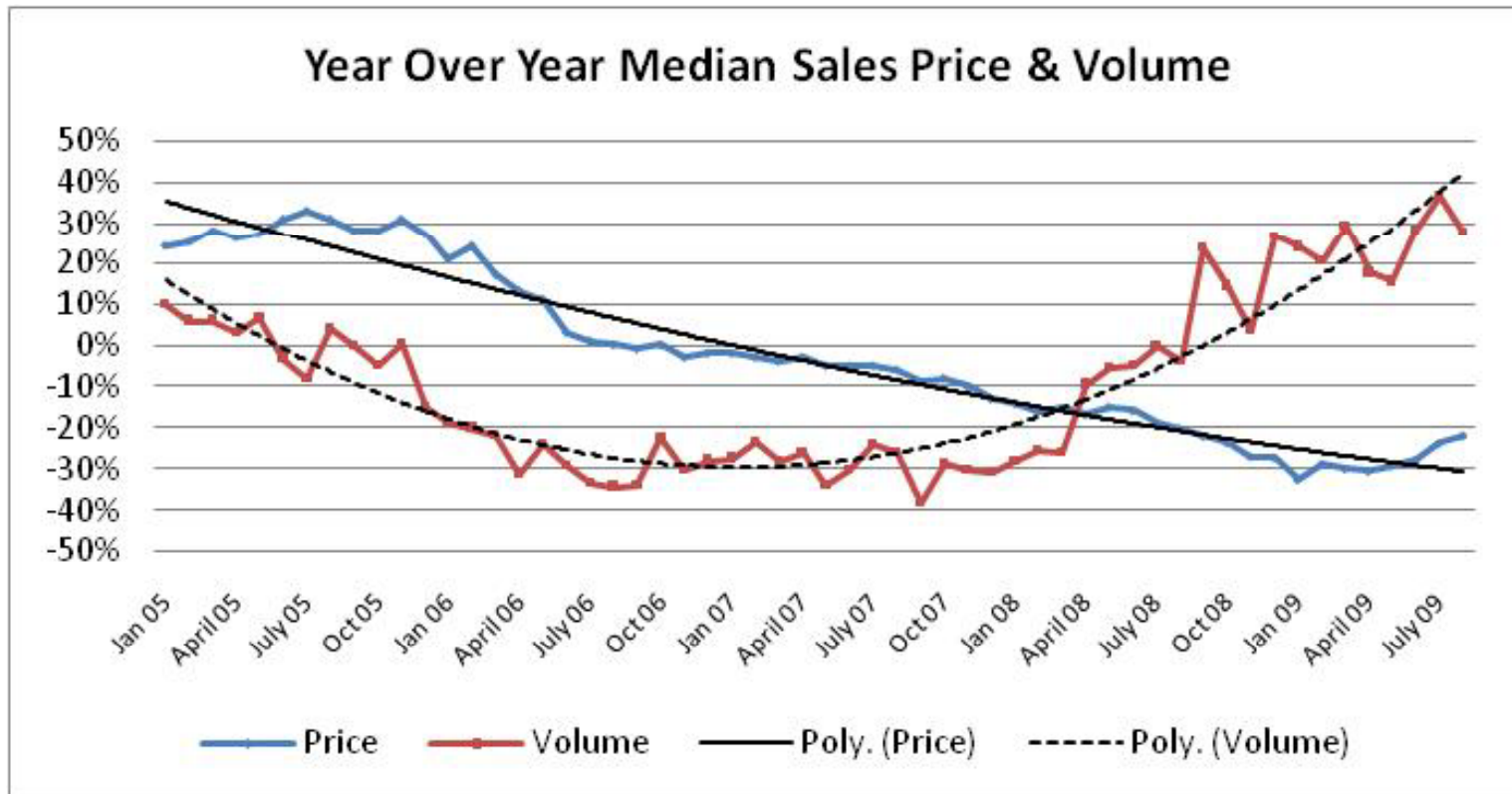
Percentages do not add to 100.0% as some businesses are not classified in an industry.
 Sources: Quarterly Census of Employment and Wages from the US Department of Labor, Bureau of Labor Statistics and the Agency for Workforce Innovation, Labor Market Statistics Center.
 Preliminary 2008



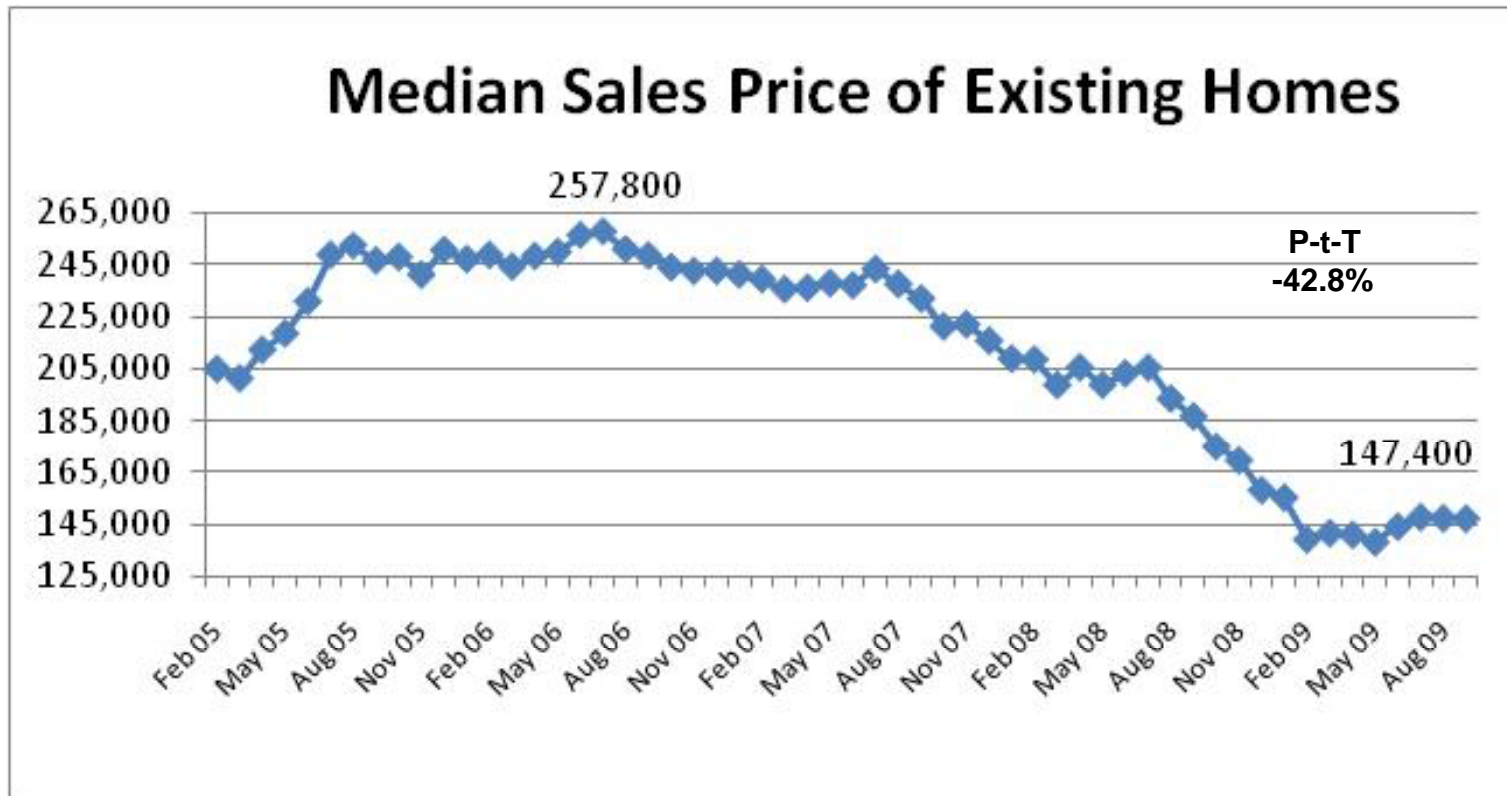
Florida Housing is Improving



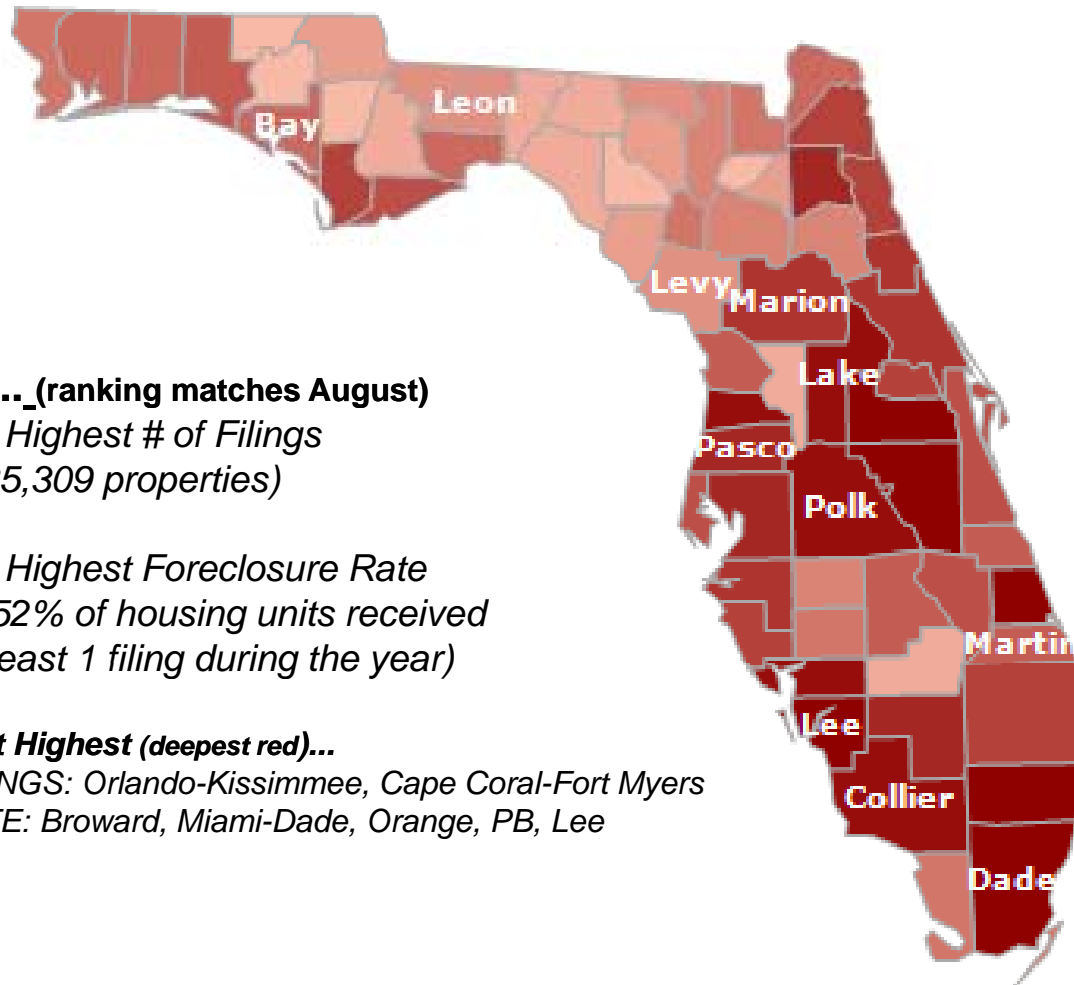
Existing Homes Sales Growing



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)*

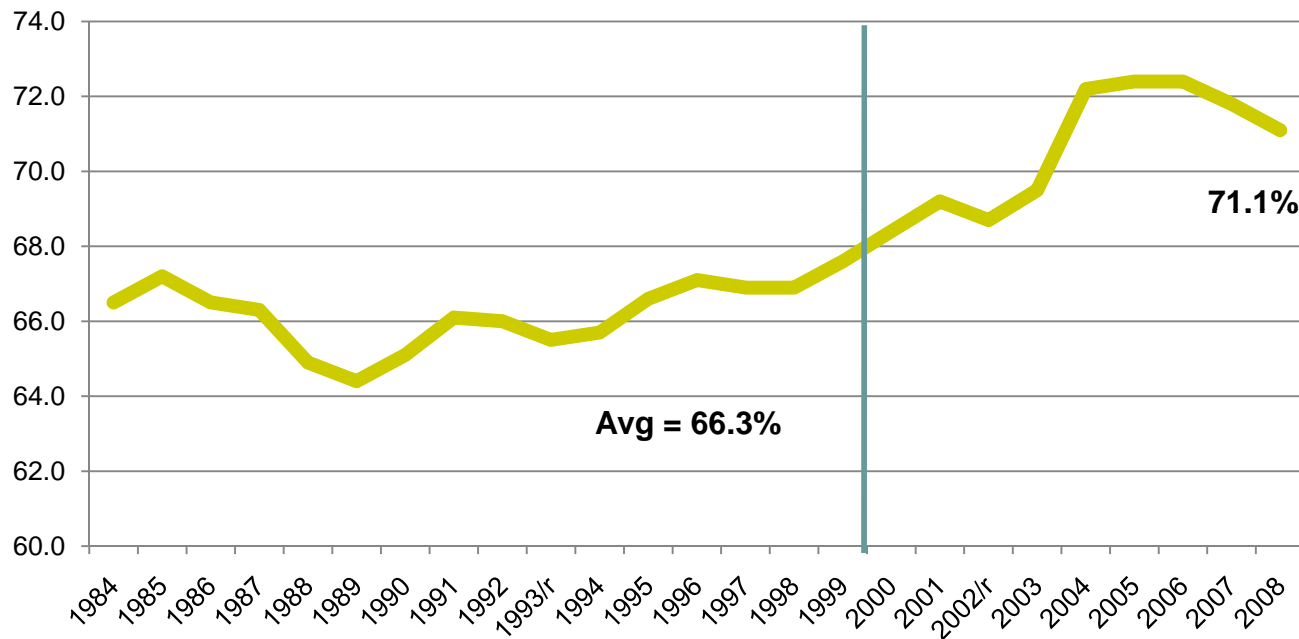
August Highest (deepest red)...

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



Vulnerability

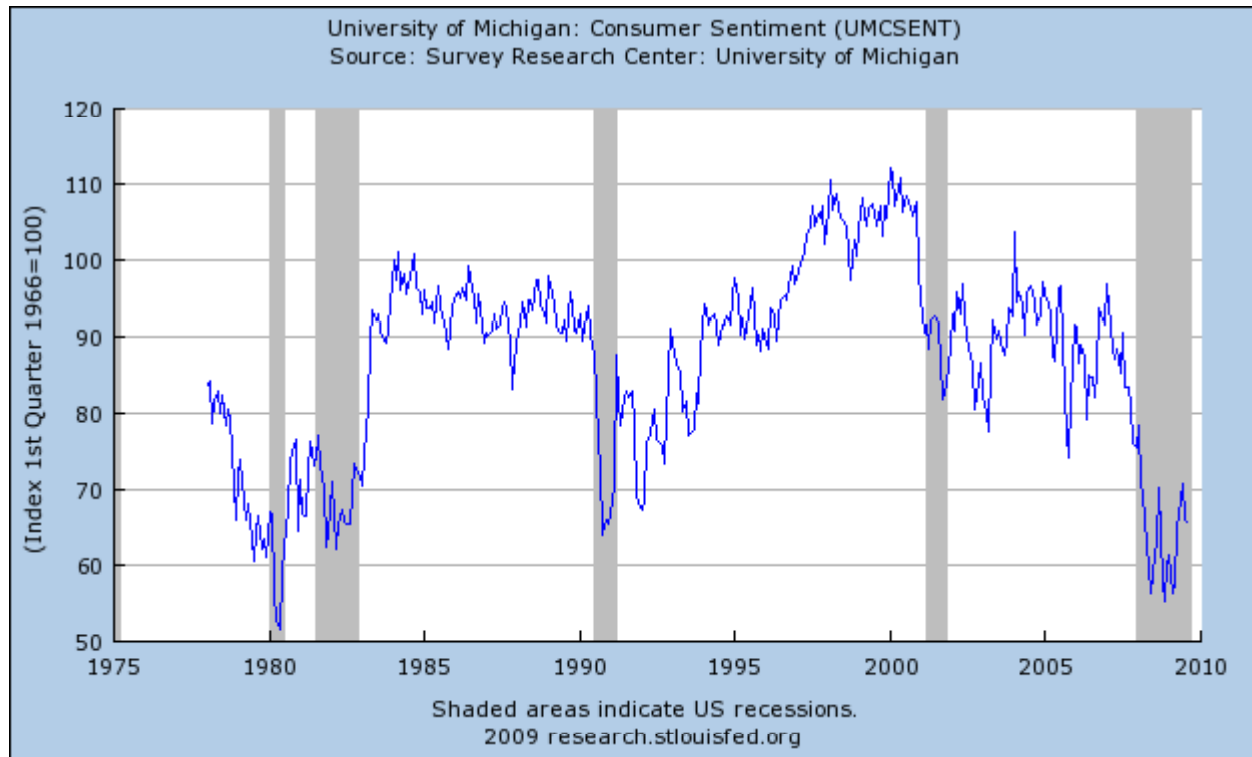
Florida Homeownership Rate



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

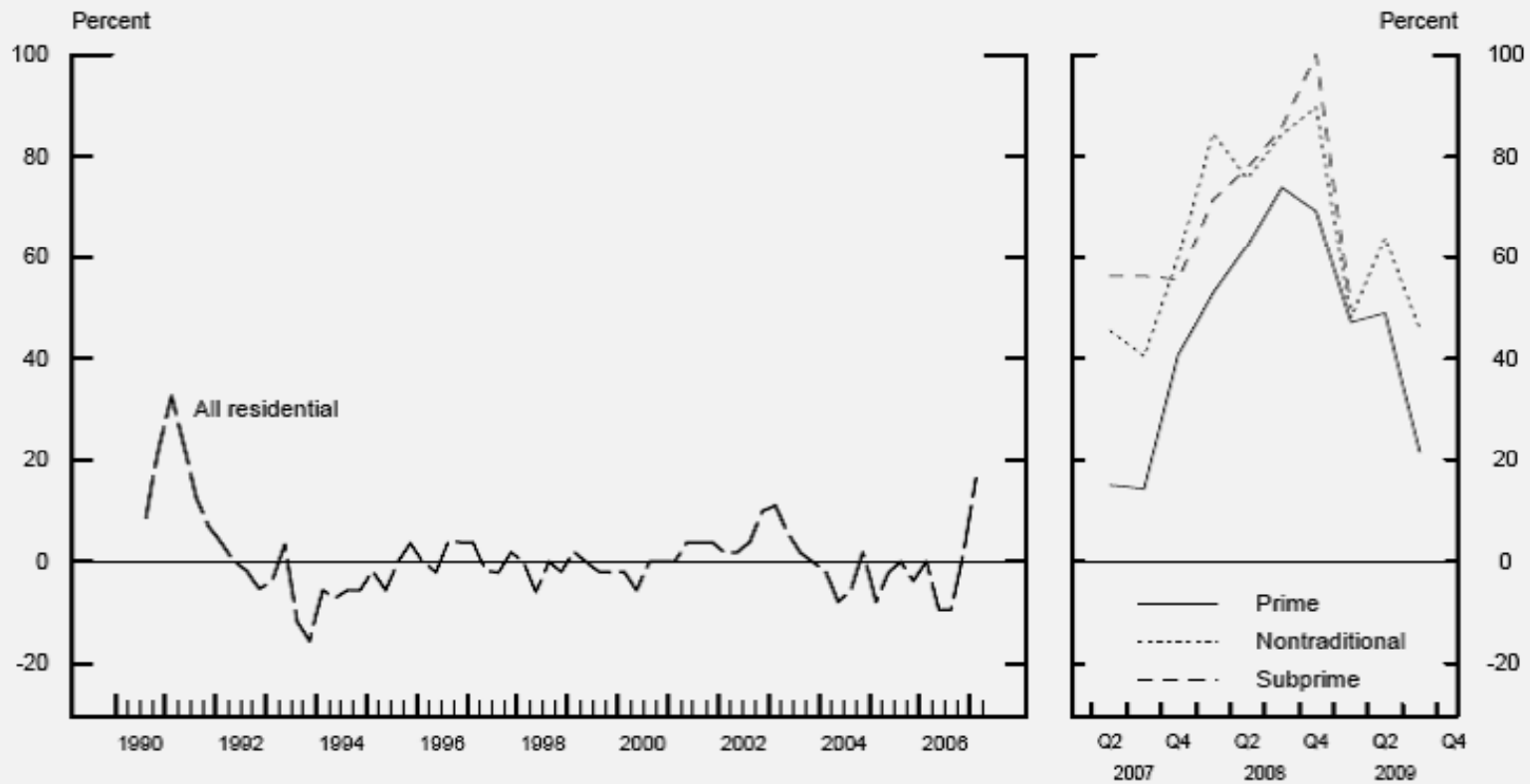


- Consumer sentiment can be a leading indicator of recession: nationally, it is improving from near the lowest levels ever obtained (65.7 in August versus 51.7 in May 1980), but still fluctuating.
- Florida's consumer confidence (August: 70 versus a record low 59 fourteen months ago) is following the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



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

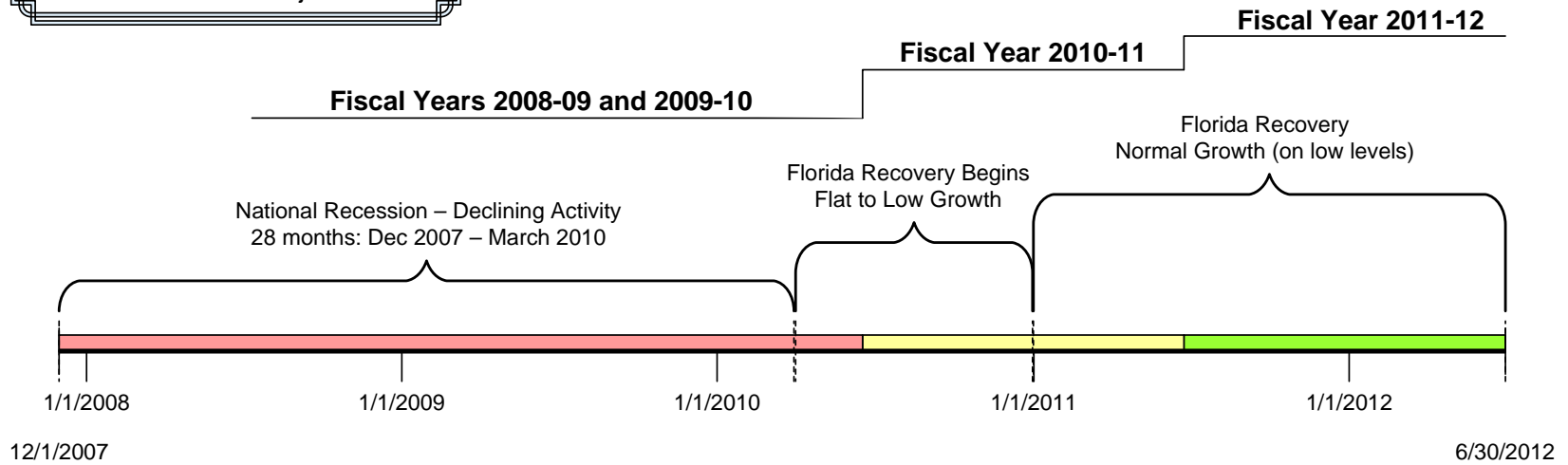
By Summer 2010, growth rates will begin a slow return to more typical levels. In the meanwhile...

- 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.

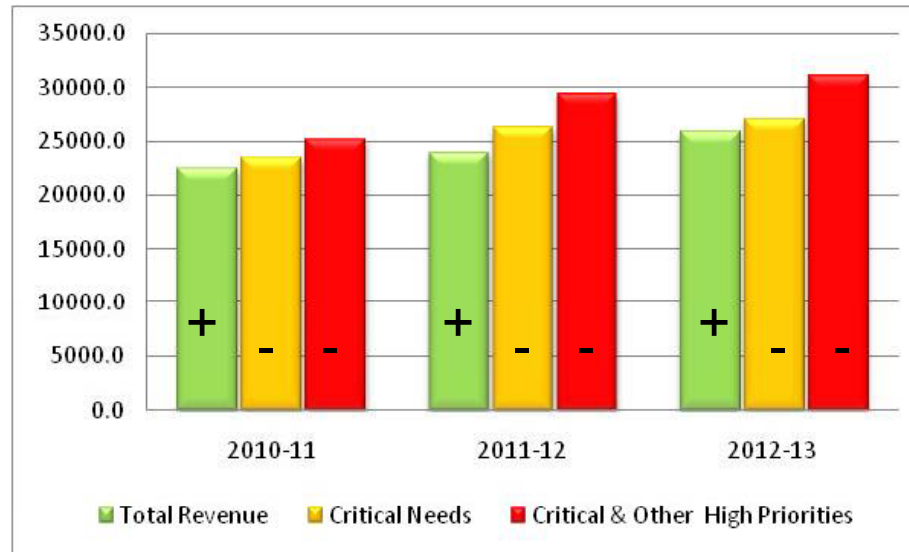
Fiscal Year 2010-11

Fiscal Year 2011-12

Florida population growth is still weak.
Florida unemployment rate improves slowly.



Near-Term Budget Impact



Long-Range Financial Outlook Projections

Fiscal Year	Available Revenues		Critical Needs			Critical & Other High Priorities		
	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

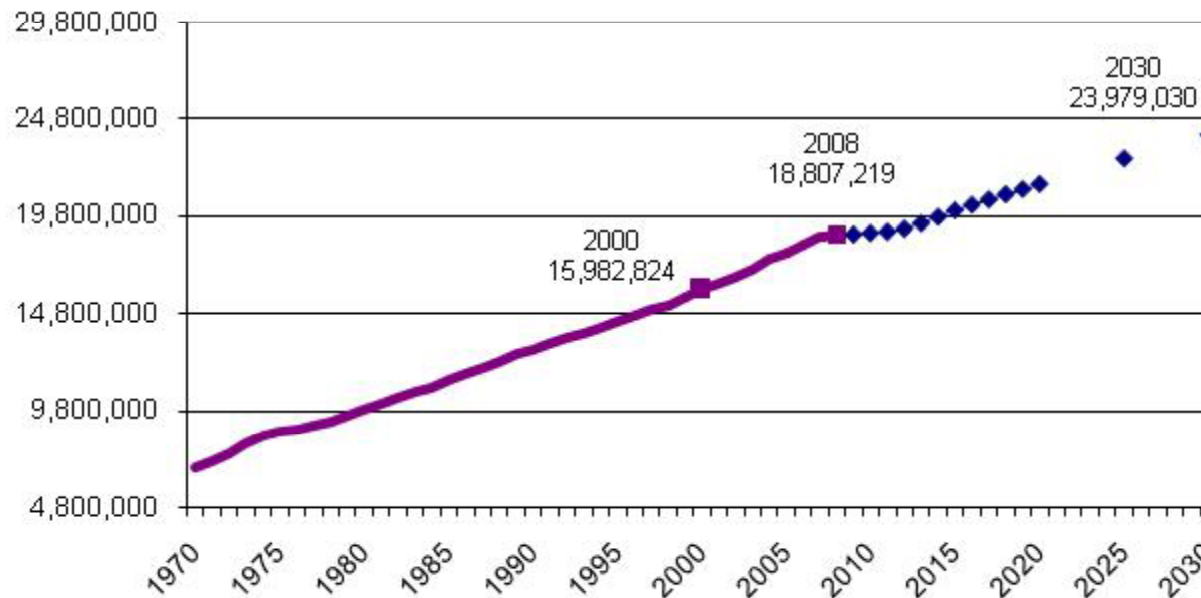
Dollars in \$ Millions

Demographic Transition

- 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 recover in the future – averaging 1.1% between 2025 and 2030.
- The future will be different from the past; the long-term growth rate between 1970 and 1995 was over 3%.
- 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

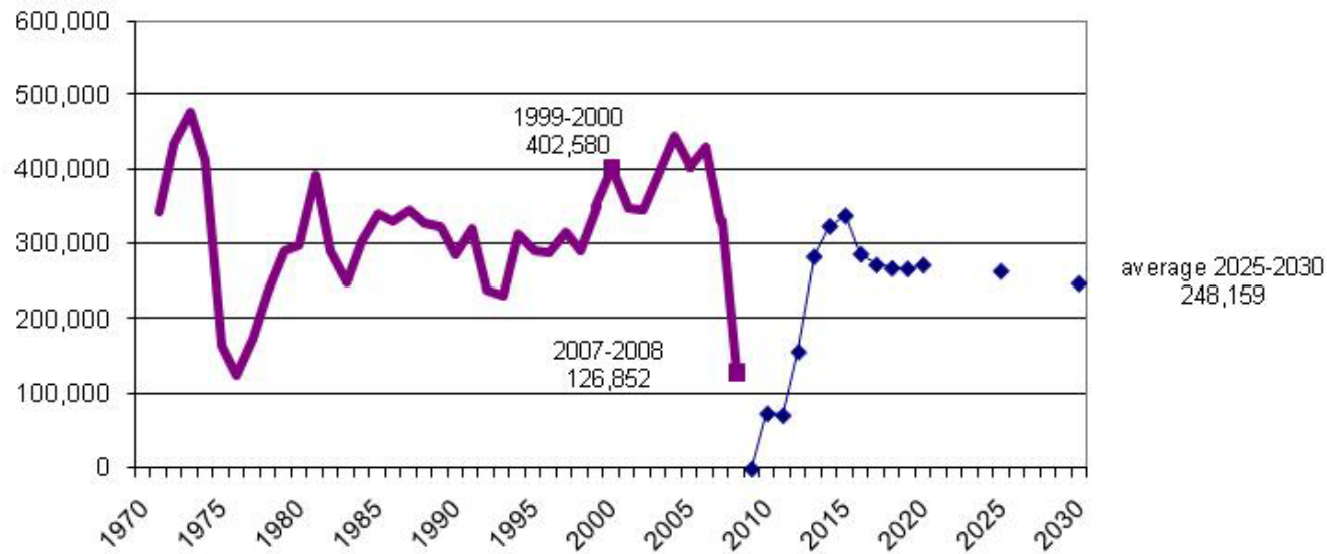


Florida's population:

- 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 by:

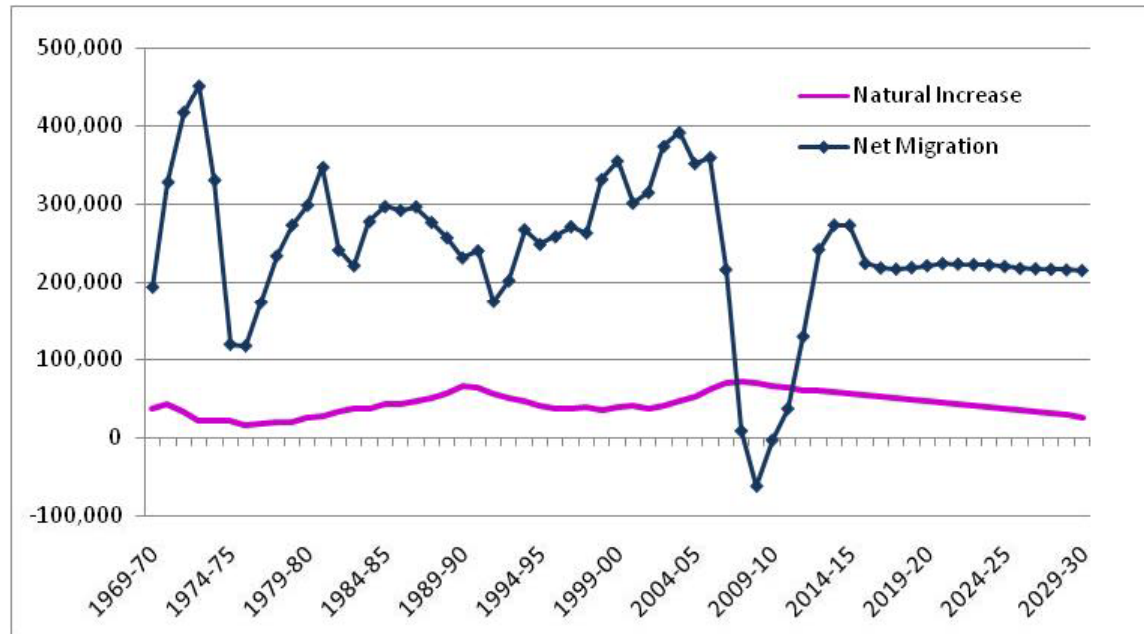
- -0- between 2008 and 2009 (likely revised to -58,000)
- 74,226 between 2009 and 2010

Population is forecast to increase on average by:

- 234,884 between 2010 and 2015
- 272,317 between 2015 and 2020
- 264,157 between 2020 and 2025
- 248,159 between 2025 and 2030



Florida's Population Growth

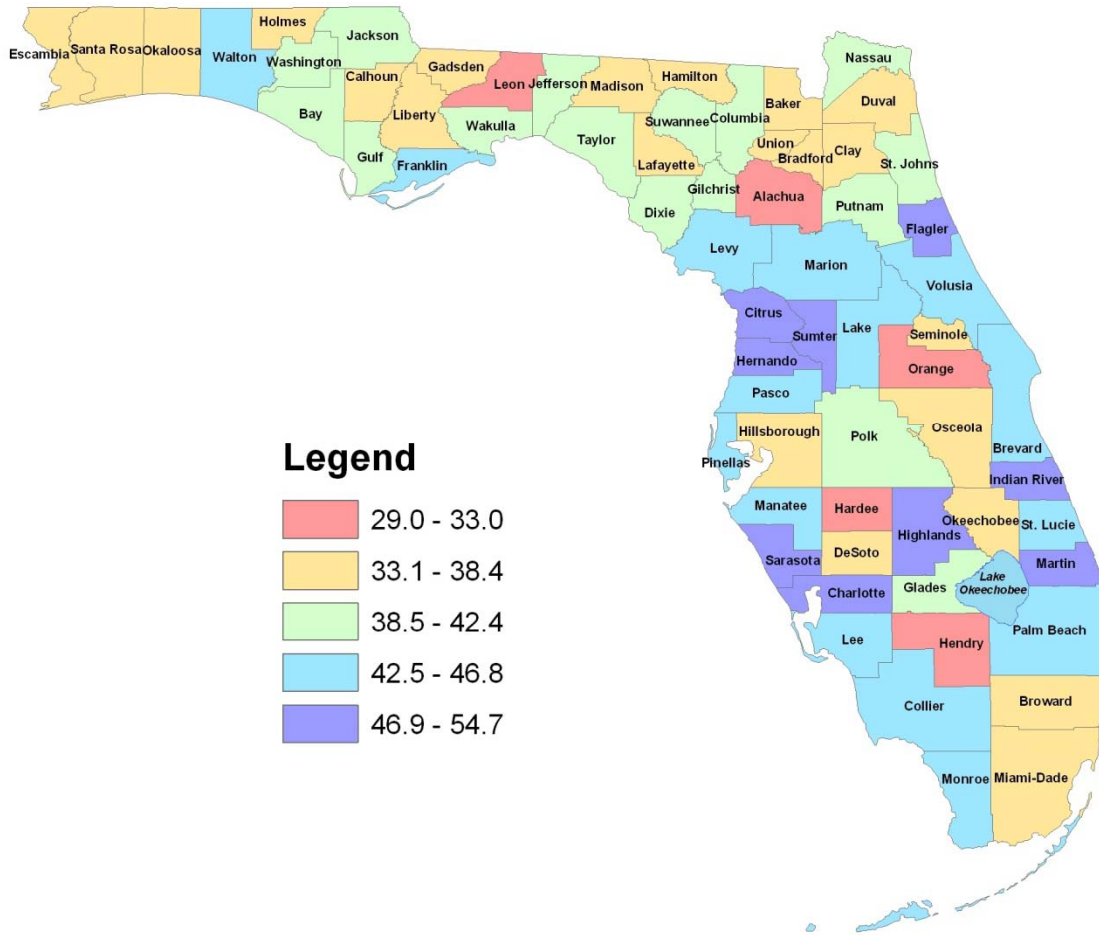


- Typically, most of Florida's population growth is from net migration.
- There were 22 counties in the state, where all the growth between April 1, 2000 and April 1, 2008 was due to net migration.
- In 2030, net migration is forecast to represent 89.2 percent of Florida's population growth.



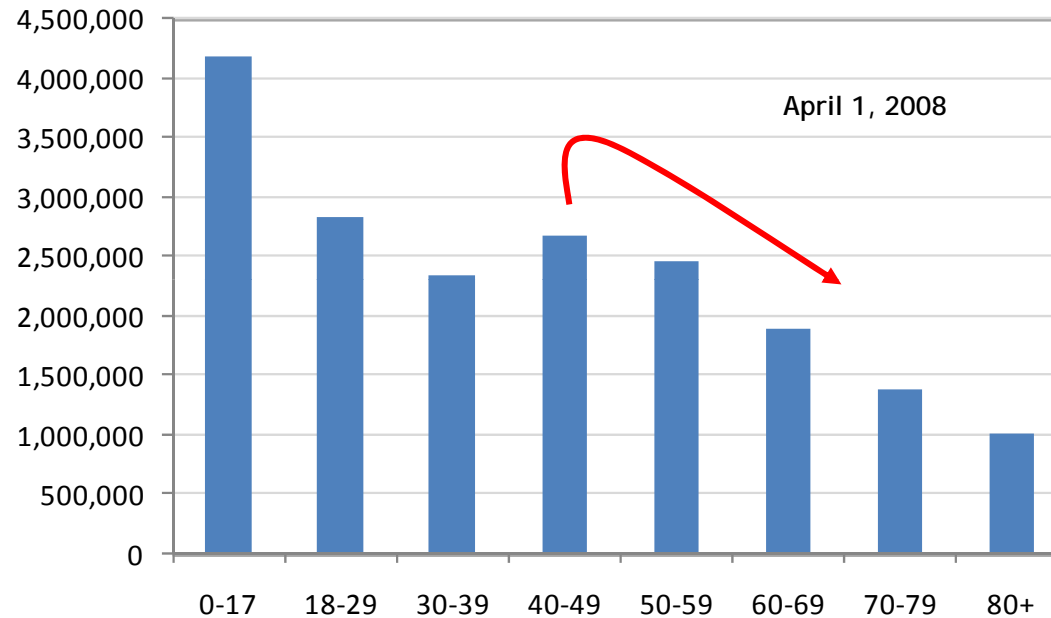
Median Age of Floridians

(April 1, 2008)



- The median age of Florida residents was estimated at **40.1** years as of April 1, 2008.
- There were 3 counties with a median age below 30: Hendry (29.0), Leon (29.5), and Alachua (29.6).
- There were 7 counties with a median age of 50 and older: Charlotte (54.7), Citrus (54.4), Sarasota (52.7), Highlands (50.9), Flagler (50.6), Hernando (50.4), and Martin (50.2).

Population by Age Group

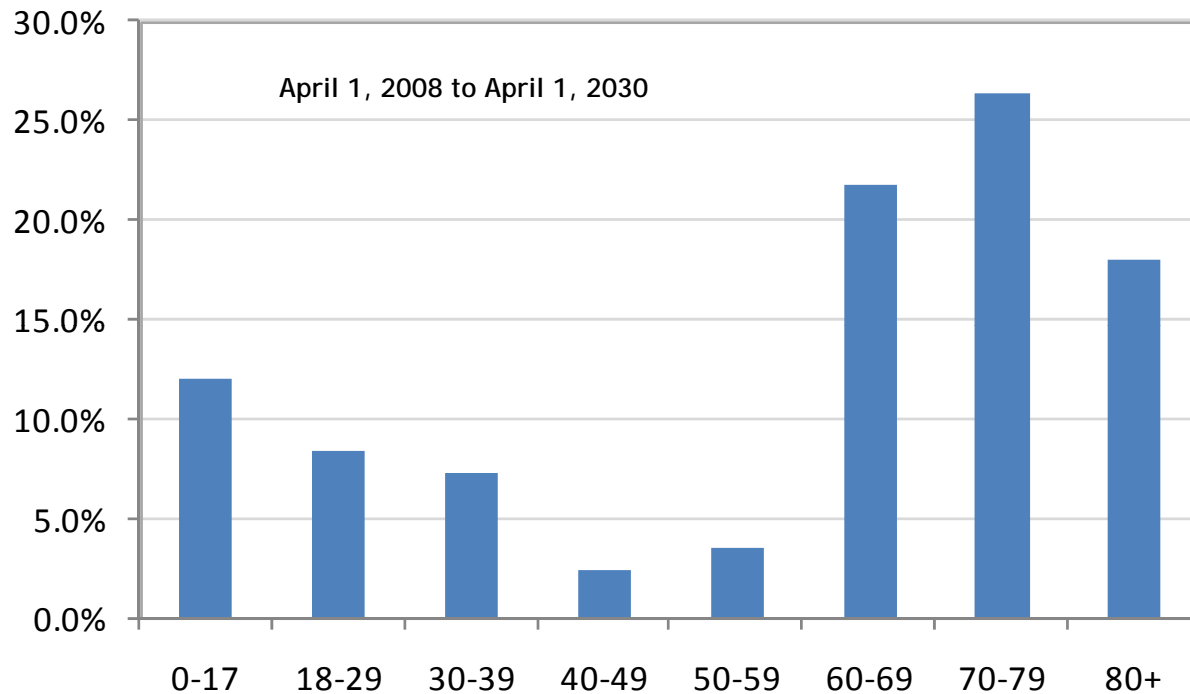


As of April 1, 2008, it was projected that there were:

- 4.2 million Floridians under the age of 18
- 2.8 million Floridians between 18 and 29
- 2.7 million Floridians in their 40s
- 2.5 million Floridians in their 50s
- 2.3 million Floridians in their 30s
- 1.9 million Floridians in their 60s
- 1.4 million Floridians in their 70s
- 1.0 million Floridians 80 or older



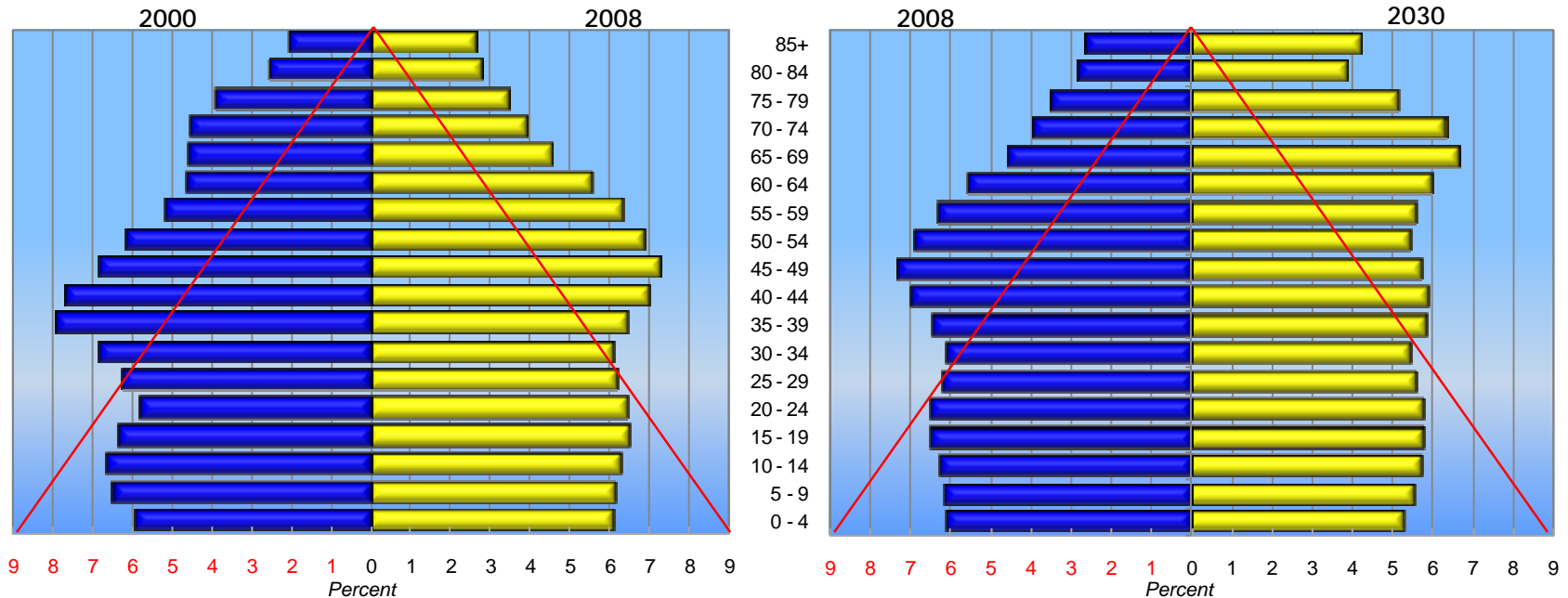
Percent of Population Growth by Age Group



- Between 2008 and 2030, Florida's population is forecast to grow by almost 5.2 million
- Florida's older population (age 60 and older) will account for most of Florida's population growth, representing 66.2 percent of the gains
- Florida's younger population (age 0-17) will account for 12.1 percent of the gains



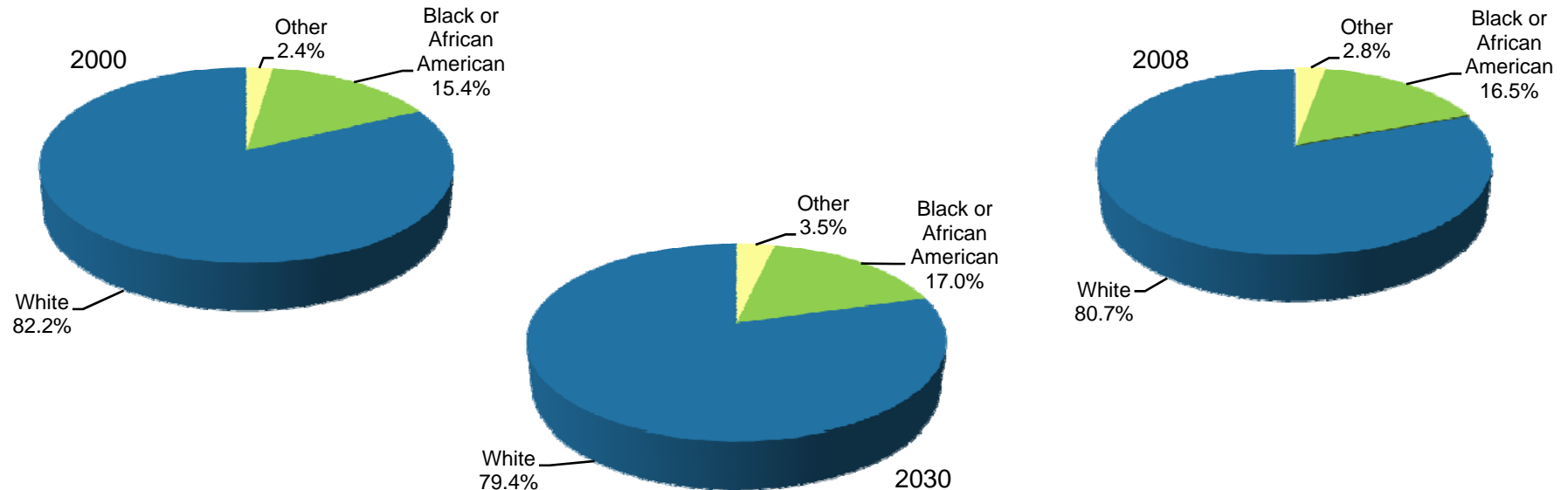
Population Pyramids: Percent of Total Population by Age Group



- In 2000, Florida's prime working age population (ages 25-54) accounted for 41.5 percent of total population. With the aging baby boom generation, this percentage is estimated to have fallen to 39.6 percent in 2008 and by 2030 is projected to represent 34.0 percent.
- Population aged 65 and over is forecast to represent 26.2 percent in 2030, compared to 17.6 percent in 2000 and 17.3 percent in 2008. Like today, Florida will have the highest proportion of seniors in the country.



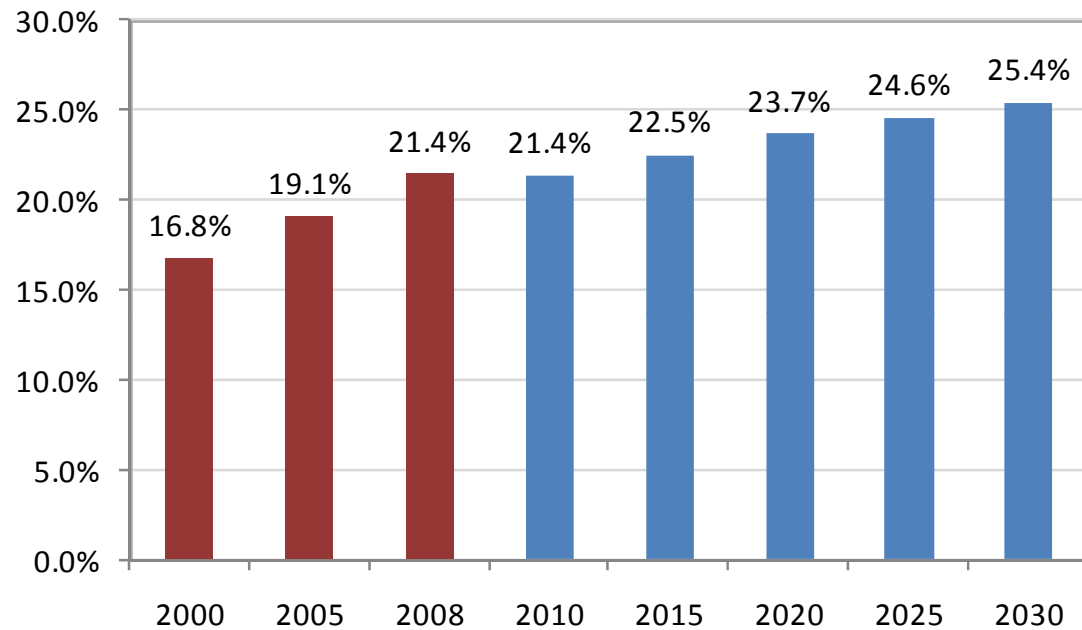
Population by Race



- In 2008, Florida's population was estimated to be 80.7 percent White and 16.5 percent Black or African American
- Florida is forecast to be 79.4 percent White and 17.0 percent Black or African American in 2030



Florida's Hispanic Population



- Currently Hispanics represent about 21.4 percent of Florida's population
- Florida will become increasingly more Hispanic; as Hispanics are forecast to represent over 25 percent of Florida's population in 2030



Language and Foreign Born

Language Spoken at Home	Estimate
Population 5 years and over	17,188,403
English only	12,740,955
Language other than English	4,447,448
Speak English less than "very well"	1,990,961
Spanish	3,250,323
Speak English less than "very well"	1,515,153
Other Indo-European languages	864,849
Speak English less than "very well"	338,547
Asian and Pacific Islander languages	238,963
Speak English less than "very well"	111,223
Other languages	93,313
Speak English less than "very well"	26,038

- In 2008, almost 4.5 million Floridians (age 5 or older) spoke a language other than English at home, of which nearly 2.0 million spoke English less than “very well”. If this relationship continues, by 2030, almost 5.9 million Floridians (age 5 or older) will speak a language other than English at home, of which about 2.6 million will speak English less than “very well”.
- In 2008, 18.5% of Florida’s population was foreign born.
[Puerto Ricans are considered native born.]



Baby Boom Cohort

- Birth Cycle: 1946 – 1964
- Initial Number: 75.9 million
- Entry into the Workforce: 1967 – 1985
- Entry into Retirement: 2011 – 2029

2050



Global Trends

- By 2025, the world will be:
 - Much Older (the US will largely look like FL today)
 - Far Less Caucasian
 - Far More Concentrated in Urban Areas
- The aging population is a function of:
 - The Baby Boom Cohort
 - Falling Fertility Rates
 - Rising Longevity (life expectancy)



Long-Term Workforce Trends

- The ratio of taxpaying workers to retirees will fall as baby boomers age:
 - US today, 4:1
 - FL today, 3:1
 - FL in 2030, 2:1
- Pool of native workers will shrink: new retirees will not be fully replaced by younger workers.
- Worker shortages (especially among highly educated and skilled) will become the norm.



More Ramifications

- Labor force contraction could significantly depress economic output and boost inflation as wages increase to attract workers from other areas.
- Long-term economic slowdown and larger retirement population will further lead to a decline in consumer spending and changes in investment patterns as the senior population spends down its savings.
- Lower standard of living could become the norm for some, especially for those seniors living on fixed incomes for 20 or more years, and the estimated one-third of boomers with limited retirement assets (mainly single women).



Florida Challenges

- **Aging State** – more intense in Florida than elsewhere because population share (26.2% in 2030)
- **Growing State** – all of the same problems as we've had in the past, only more so
 - Greater Need for Services
 - Allocation of Increasingly Scarce Natural Resources (especially water)
 - Provision of Needed Infrastructure (new and replaced)



Implications for Services

- Labor-intensive jobs (firefighters, police, construction) will be harder to fill.
- Today's elderly prefer face-to-face interaction. In the future, people will become more technologically savvy and more comfortable working over the internet.
 - Less reliance on physical space
 - Fewer employees as the use of technology increases



Health Care

- About 80% of older people are living with at least one chronic condition.
- Nearly one-third of all older people live alone, and this share continues to increase.
- Today, elderly and disabled Medicaid recipients account for an estimated 34% of the total caseload – but almost 69% of Medicaid spending.
 - Use of acute and long-term care services is high.
 - The majority of nursing home residents rely on Medicaid support after the cost of their care exhausts their savings and they qualify for assistance --- 65% of nursing home residents have Medicaid.
 - An increasing array of new services, procedures and drugs prolong life – but also the potential for chronic problems.



Criminal Justice

- Propensity to commit crime diminishes over time; however, Florida has been increasing the classification of crime.
- Prisons will have an increasing share of older and infirm inmates.



Revenues

- One implication of the declining working-age population is that government tax structures which rely heavily on this age-group will have to be reevaluated.
- An increasingly smaller percentage of individuals will assume the bulk of the tax burden as the number of elderly increases and the demand for services continues to grow.
- The states that will be hardest hit are those that rely on personal income and payroll taxes as their largest revenue sources.



Sales Tax

- Studies have found that the elderly tend to spend less than younger persons on goods and more on services.
- The state's current sales tax structure with its dependence on the sale of goods will come under pressure from this fact.
- If this risk is not addressed, then the state will likely see much lower growth rates for sales tax receipts than it has normally seen in the past.



Property Taxes

- Traditionally, senior citizens have opposed property taxation to a greater extent than the rest of the population.
- Not only do many live on fixed incomes, but they also have no school-age children. As their connection to providing this type of funding diminishes, they are more apt to oppose property tax increases of any kind.
- Conversely, Florida offers several income-based exemptions and tax advantages for senior citizens that will become increasingly expensive as the baby boomers hit their retirement years. While today's elderly have the lowest poverty rates of any age group, this will not be true in the future. An estimated one-third of boomers are projected to have limited financial assets or private pensions when they retire.



Strategies

- Attracting migration from other states and countries which have greater youth populations will become an important relief valve for worker shortages.
 - On average, immigrants are younger than native Americans, are more inclined to work and have more children per family (Federal Reserve).
- Designing incentive programs to keep workers in the workforce longer.
- Fostering the development and application of:
 - Age-sensitive technologies.
 - Productivity-enhancing skills and technologies.

