

Florida: An Economic Overview

January 15, 2010

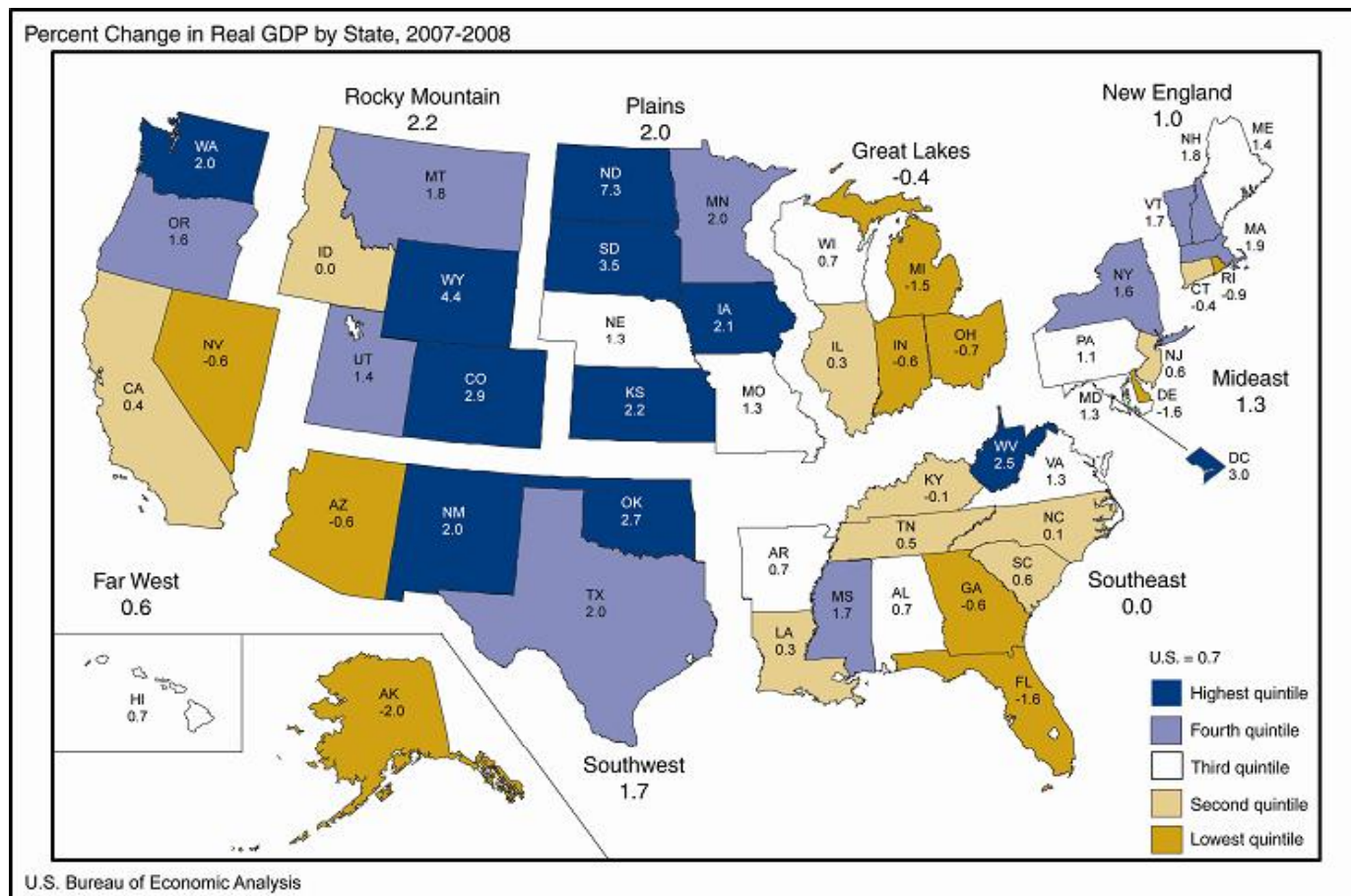
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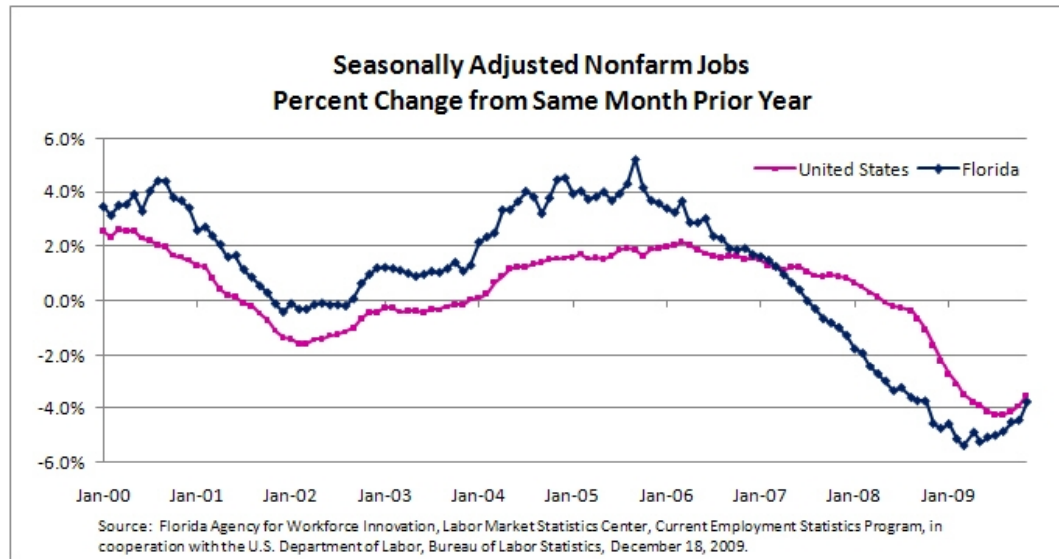
Economy Lost Ground in 2008

- 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.



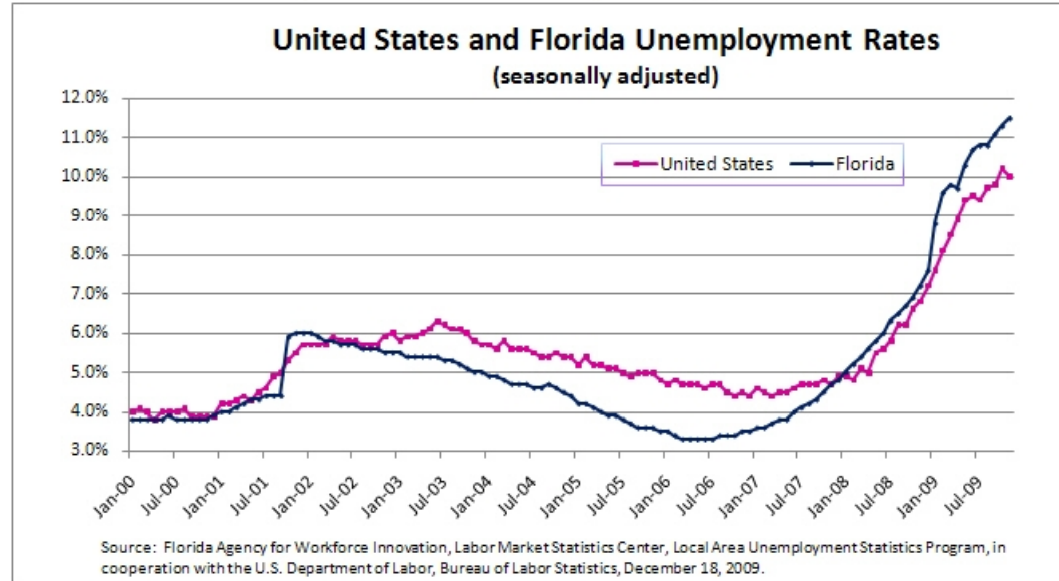
Employment Worsens

Last Comparable
1975



November (YOY)

US -3.5%
FL -3.7%
YR: -284,800 jobs
Peak: -743,100 jobs



November

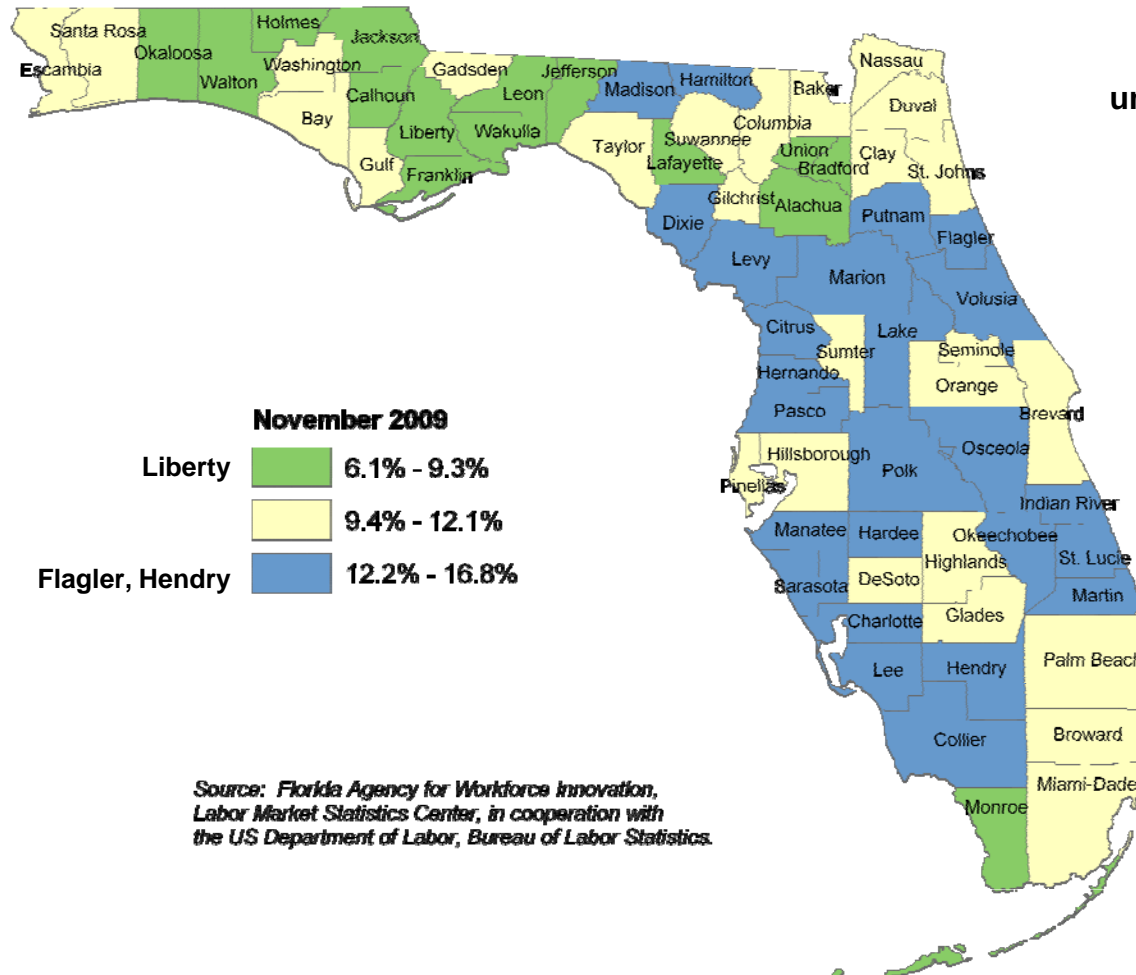
US 10.0%
FL 11.5%
(1.1 million people)
6th State in the Country

Projected

FL 11.4%
Spring, 2010



Unemployment Rates



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

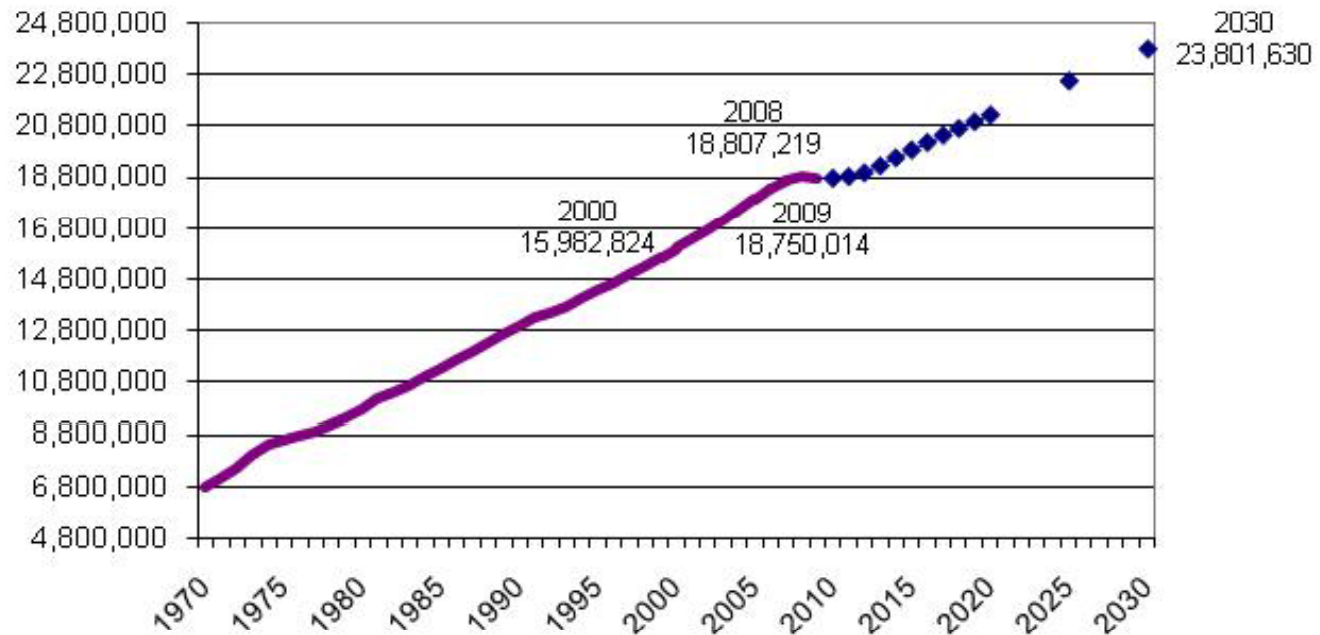


Population Growth Slowing

- 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 just 0.2% between 2008 and 2012. Population growth is expected to rebound 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 around the same time – surpassing New York.



Florida's April 1 Population

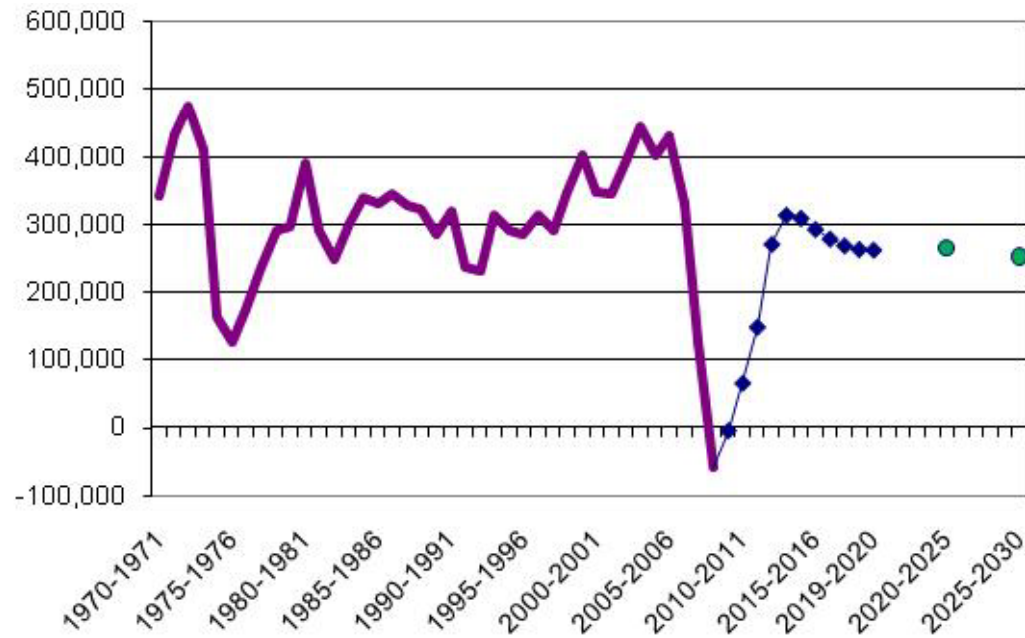


Florida's population:

- was 15,982,824 in 2000
- was 18,750,014 in 2009
- is forecast to grow to 23,801,630 by 2030



Florida's Population Growth



Population:

- Increased by: 445,224 between 2003 and 2004
- Declined by: -57,205 between 2008 and 2009

Population is forecast to decline by:

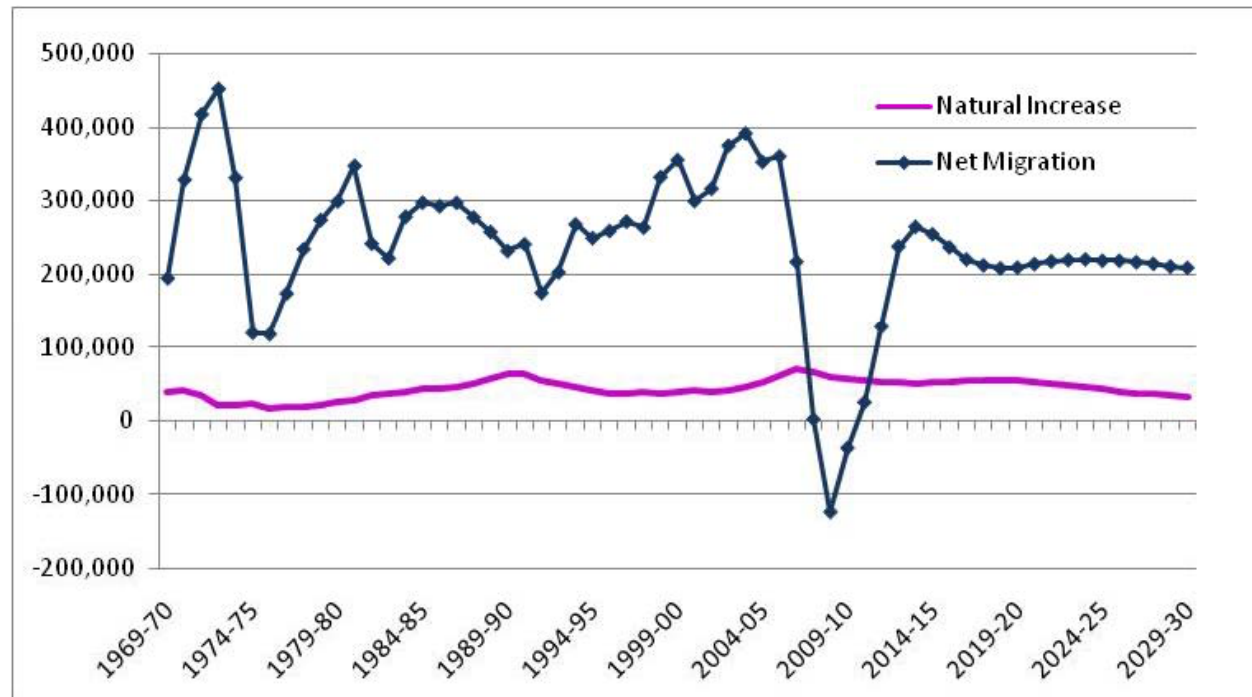
- -3,954 between 2009 and 2010

Population is forecast to increase on average by:

- 221,933 between 2010 and 2015
- 249,949 between 2025 and 2030



Population Components



- Typically, most of Florida's population growth is from net migration. Currently, more people are moving out than into the state.
- In 2030, net migration is forecast to represent 86.6 percent of Florida's population growth.



Recession – Long and Severe

- United States economy has officially been in a recession since December 2007.
- The longest – and most severe – recession now on record.

Recessions since the Great Depression

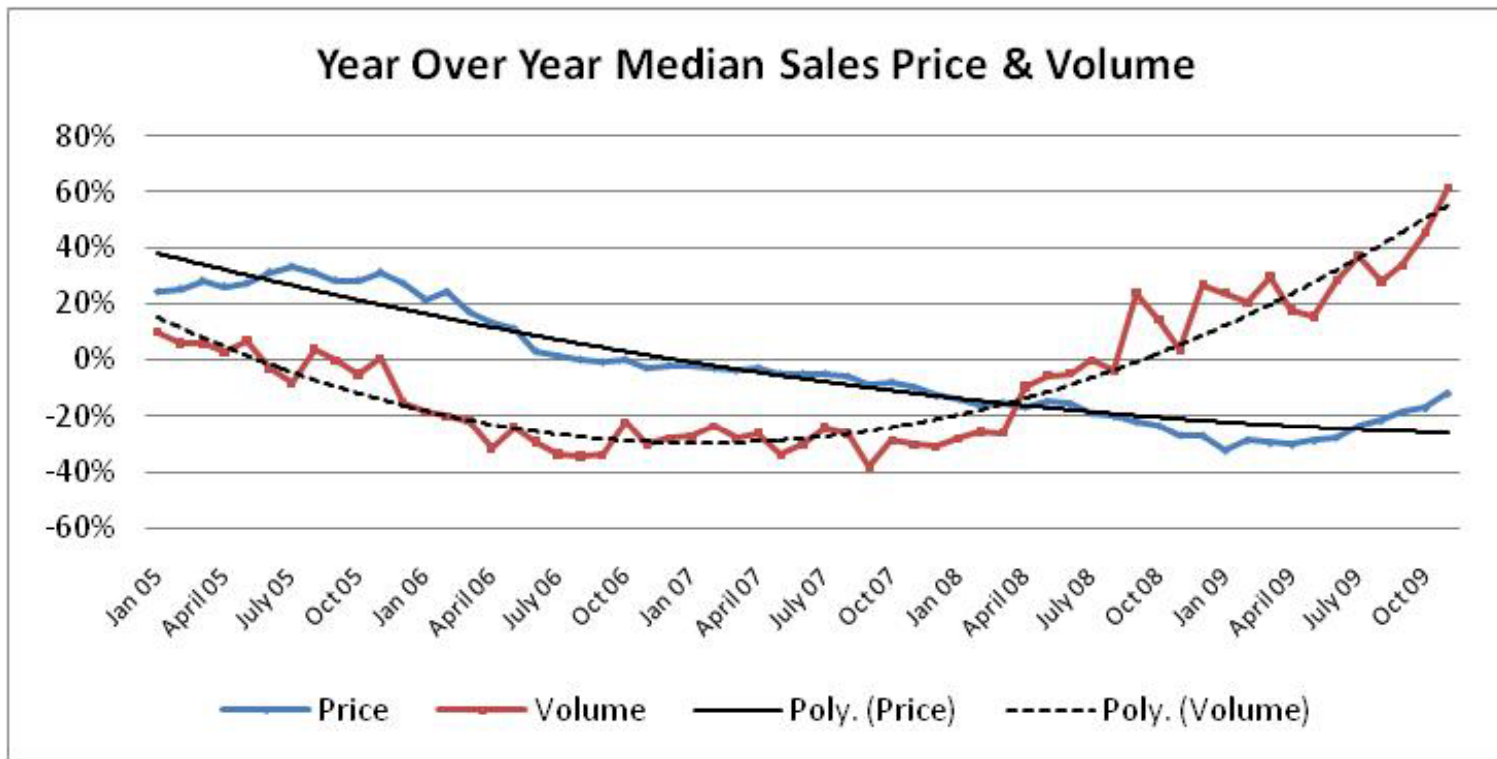
<u>Recession</u>	<u>Duration</u>	<u>Recession</u>	<u>Duration</u>
2001	8 mos	1960-1961	10 mos
1990-1991	8 mos	1957-1958	8 mos
1981-1982	16 mos	1953-1954	10 mos
1980	6 mos	1948-1949	11 mos
1973-1975	16 mos	1945	8 mos
1969-1970	11 mos	1937-1938	13 mos



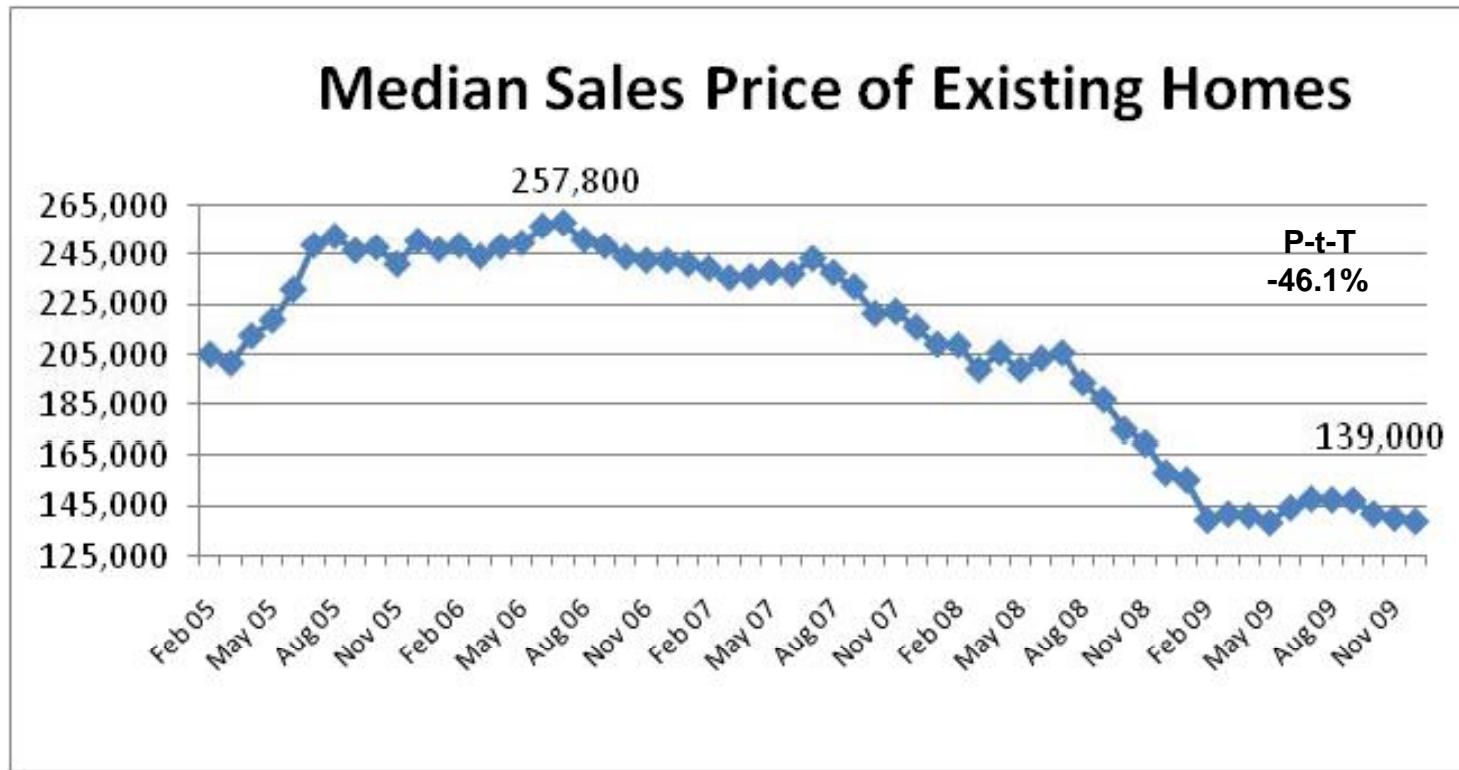
Florida Housing is Improving



Existing Homes Sales Growing



Existing Home Prices Flattening



Foreclosure Filings Bottoming?

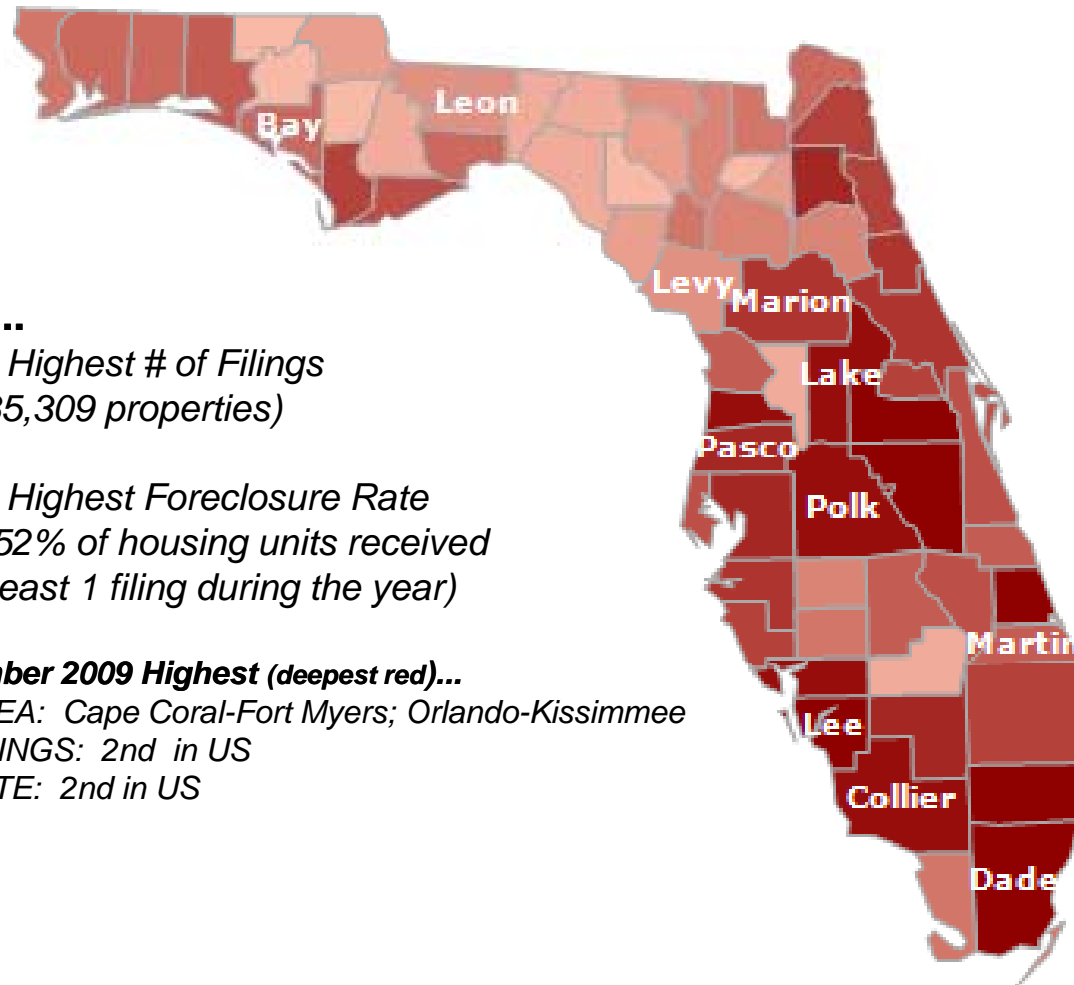
2008...

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

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

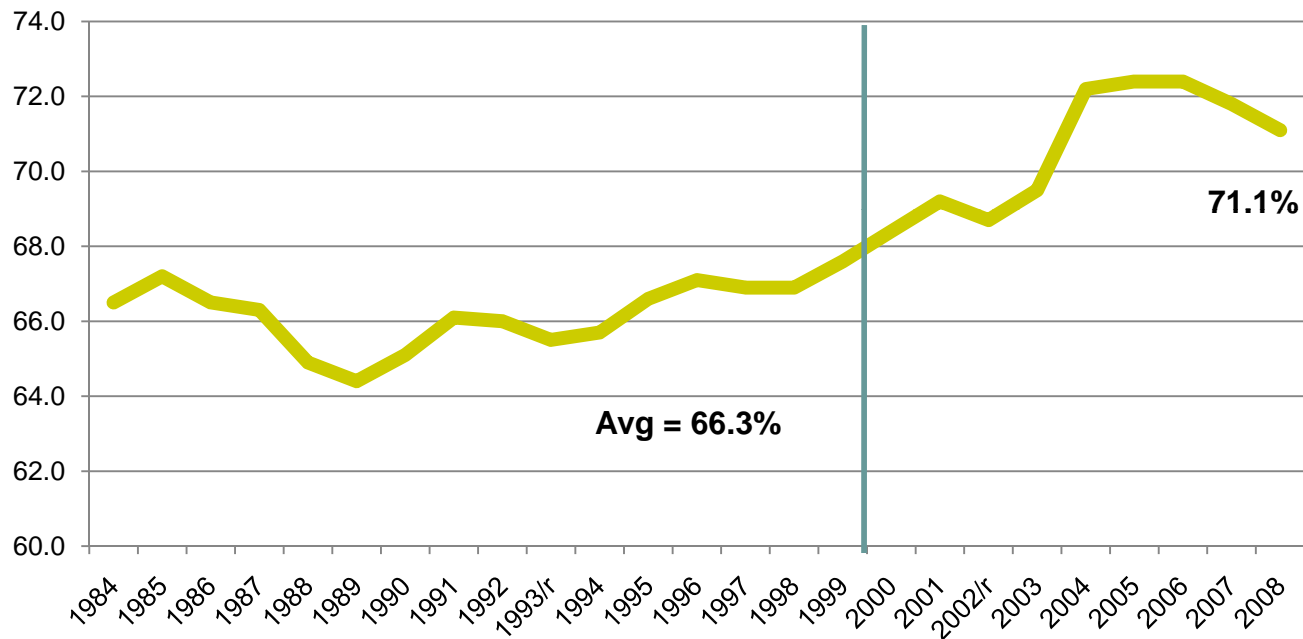
November 2009 Highest (deepest red)...

*AREA: Cape Coral-Fort Myers; Orlando-Kissimmee
FILINGS: 2nd in US
RATE: 2nd in US*



Vulnerability

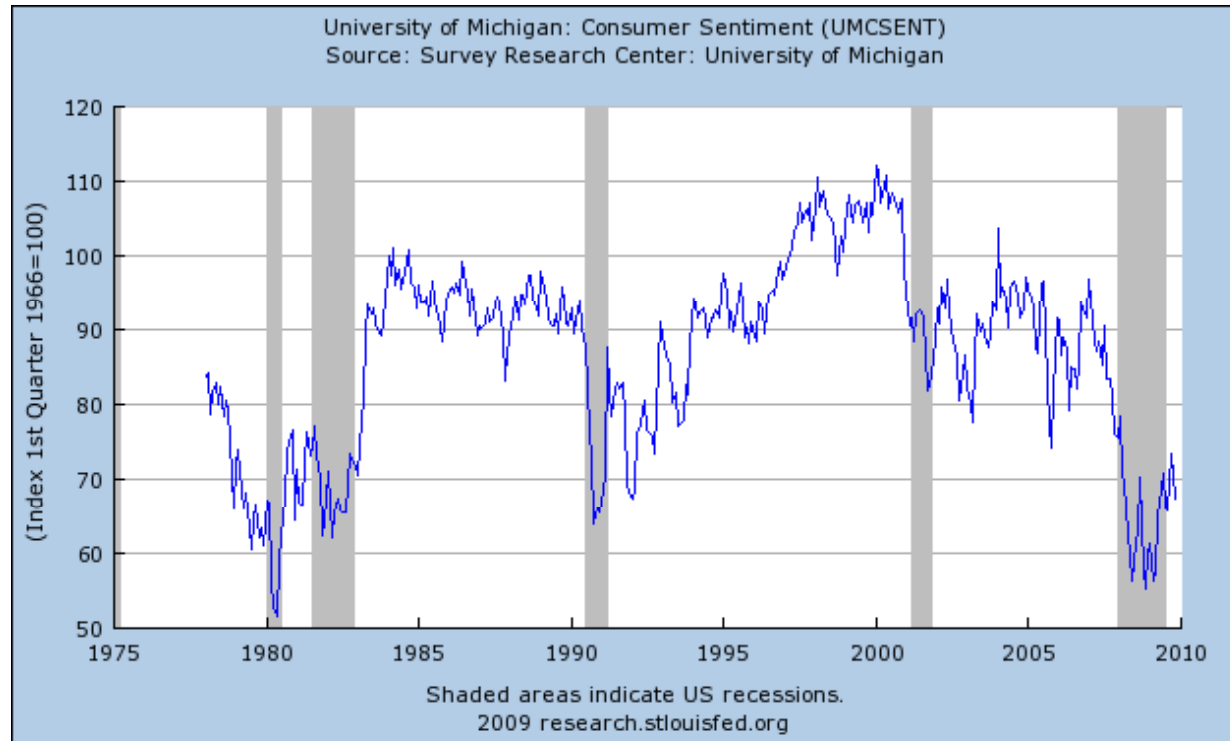
Florida Homeownership Rate



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 Improving

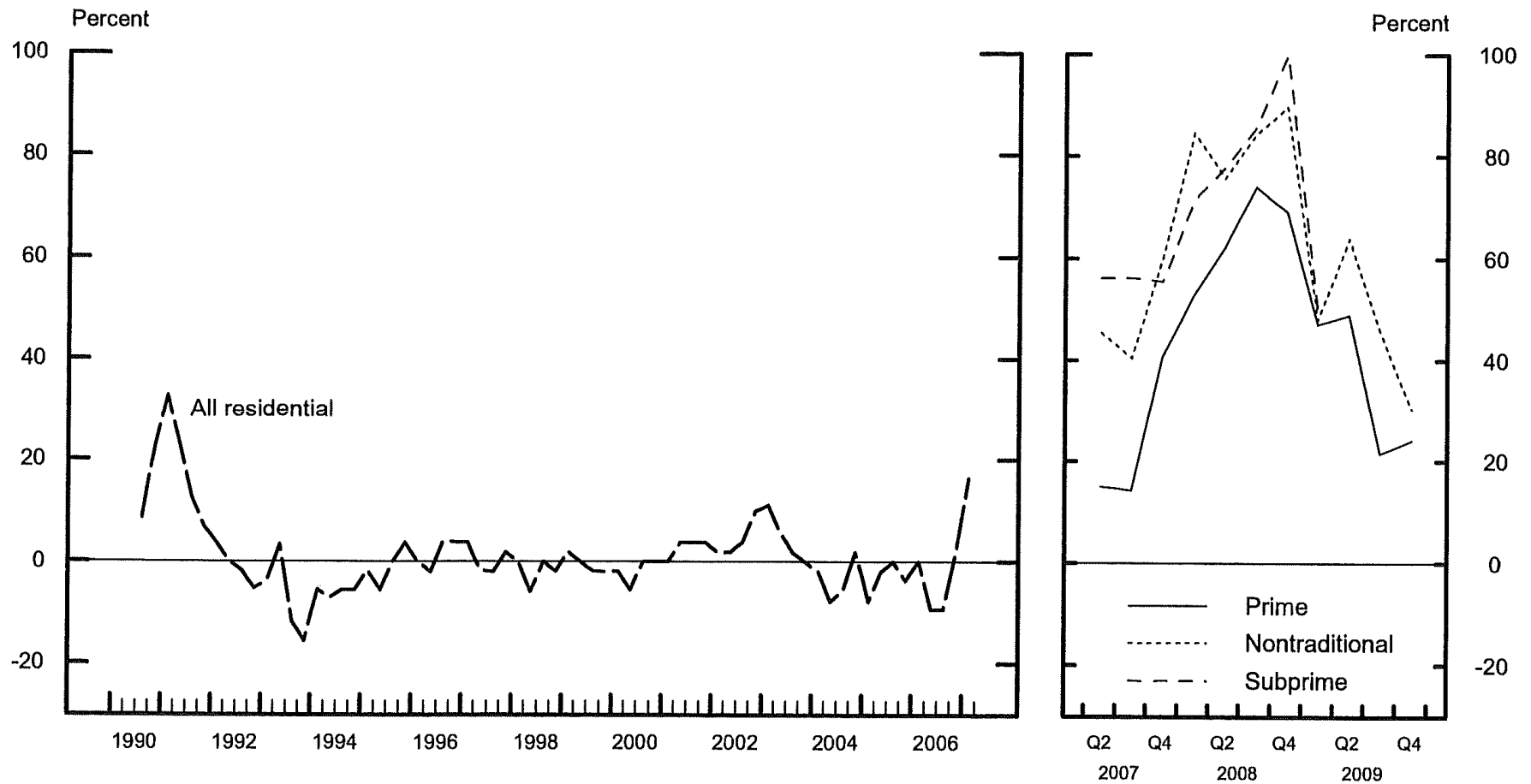


- Consumer sentiment can be a leading indicator of recession: nationally, it is improving from near the lowest levels ever obtained (67.4 in November versus 51.7 in May 1980), but still fluctuating.
- Florida's consumer confidence (November: 69 versus a record low 59 seventeen months ago) is following 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.

October 2009 Senior Loan Officer Opinion Survey on Bank Lending Practices

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

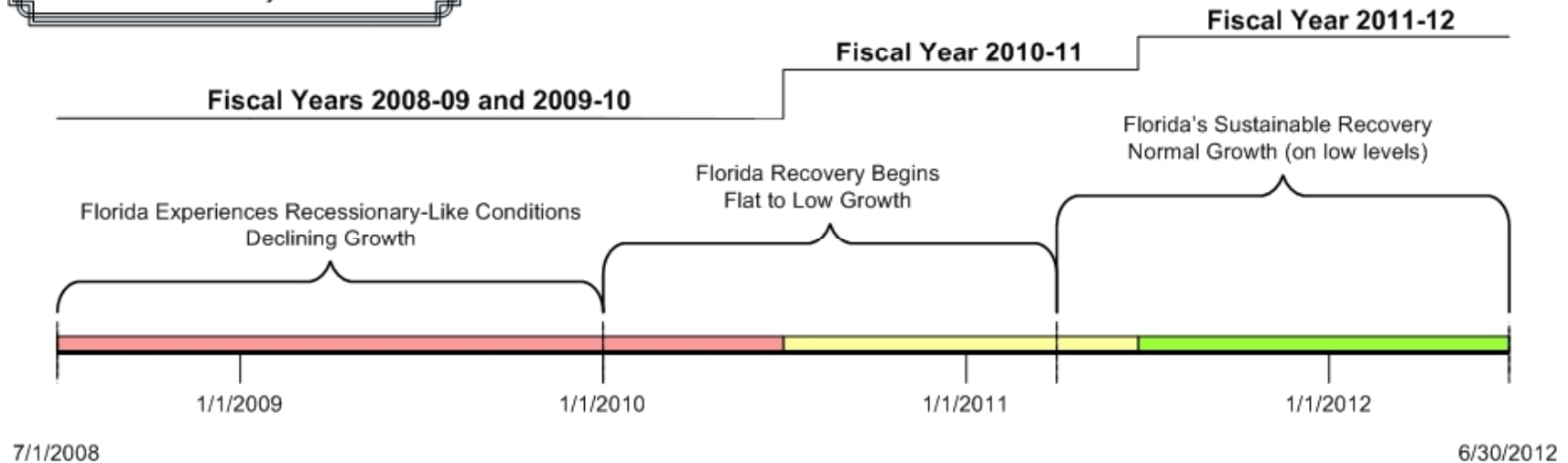
By Summer 2010, growth rates will begin a slow return to more typical levels. In the meanwhile...

- 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 October: \$173,100 nationally vs. \$140,300 in Florida...18.9% 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

Fall 2009 Projections



Fiscal Year 2009-10

National GDP has growth of 0.4%.

National consumer price index is weakly positive.

National consumer spending is weakly positive.

Standard & Poor's Index is positive.

Florida has negative population growth.

Florida personal income declines.

Florida employment declines.

Florida unemployment rate peaks at 11.4%.

Florida housing starts decline.

Florida registration of new light vehicles declines.

Florida visitors decline.

Fiscal Year 2010-11

National GDP has weak growth.

Florida population has virtually no growth.

Florida personal income has weak growth.

Florida employment has weak growth.

Florida unemployment rate is only slightly off the peak.

Florida private housing starts enter positive territory.

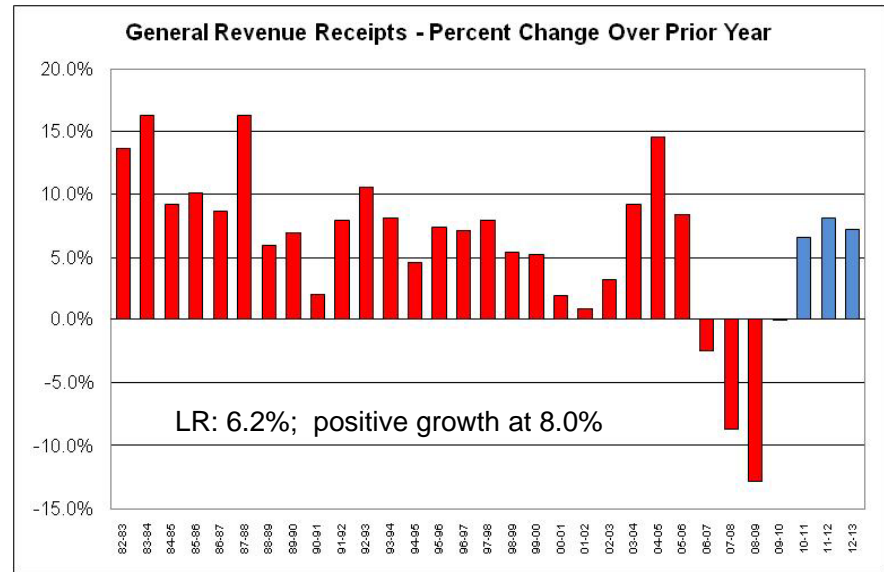
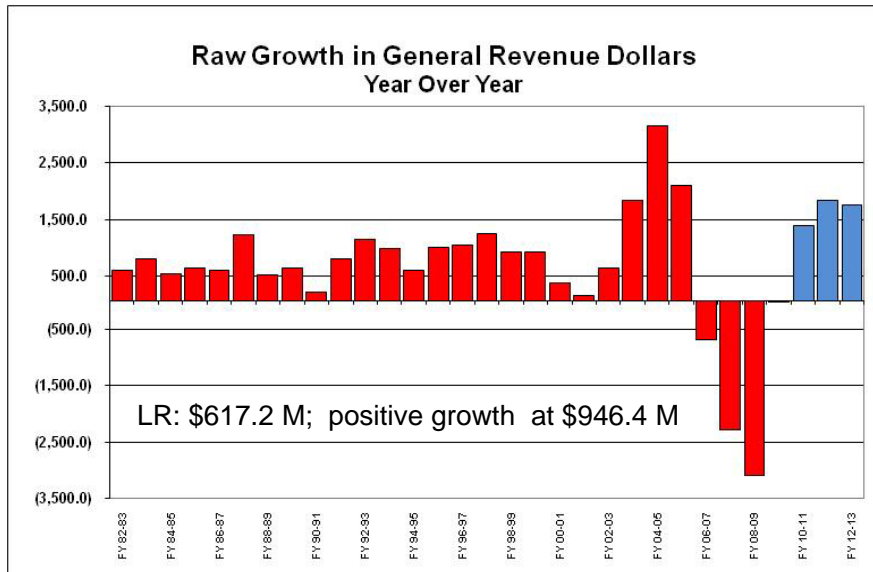
Fiscal Year 2011-12

Most Florida measures return to normal or accelerated growth rates.

Florida population growth is still weak.

Florida unemployment rate improves slowly.

General Revenue Estimate Higher



Fiscal Year	Original Forecast	August Forecast	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	21025.6					-12.8%
2009-10	19998.4	20693.2	21031.6	338.4	6.0	0.0%
2010-11	21091.2	22097.0	22409.6	312.6	1378.0	6.6%
2011-12	23007.9	23914.8	24234.2	319.4	1824.6	8.1%
2012-13	24950.6	25879.4	25978.6	99.2	1744.4	7.2%

Other Revenues (relative to Long-Range Financial Outlook)

- The **Educational Enhancement Trust Fund** will have little or no long-term growth. Overall, the Conference raised the estimates slightly (Lottery up more than Slots down), but each year of the Outlook period still has fewer total dollars for expenditure than were spent in Fiscal Year 2009-10.

(millions)	3-Year	Fall	Diff
2009-10	1423.9	1460.3	36.4
2010-11	1390.1	1422.0	31.9
2011-12	1388.5	1398.9	10.4
2012-13	1411.4	1422.1	10.7

- Overall, **Article V** funds were increased (primarily due to a revised foreclosure estimate), but the General Revenue distribution went down.

Overall (millions)	3-Year	Fall	Diff
2009-10	1042.9	1150.8	107.9
2010-11	976.7	1134.5	157.8
2011-12	951.3	1053.1	101.8
2012-13	944.5	982.7	38.2

GR (millions)	3-Year	Fall	Diff
2009-10	245.2	200.6	-44.6
2010-11	242.7	207.3	-35.4
2011-12	242.2	190.4	-51.8
2012-13	242.2	184	-58.2



Other Revenues (relative to Long-Range Financial Outlook)

- Forecasted **Highway Safety Fees** were reduced largely because of behavioral changes and Cash for Clunkers.

Overall (millions)	3-Year	Fall	Diff	GR (millions)	3-Year	Fall	Diff
2009-10	2024.8	2001.9	-22.9	2009-10	793.4	779.1	-14.3
2010-11	2278.0	2247.8	-30.2	2010-11	985.0	966.2	-18.8
2011-12	2319.1	2307.9	-11.2	2011-12	993.9	992.1	-1.8
2012-13	2345.2	2339.0	-6.2	2012-13	993.0	991.4	-1.6

- Forecasted **Transportation Revenues** were increased primarily due to lower gas prices affecting fuel sales in the near-term.

(millions)	3-Year	Fall	Diff
2009-10	2580.9	2637.8	56.9
2010-11	2647.6	2725.7	78.1
2011-12	2788.0	2868.2	80.2
2012-13	2928.3	3000.4	72.1



Other Revenues (relative to Long-Range Financial Outlook)

- Lower **Gross Receipts** forecast, but higher **PECO** estimates. The reduction in bonding capacity from the lower Gross Receipts Tax forecast is offset by increased capacity resulting from lower interest rates on bond sales, refinancing activity, and other technical adjustments.

PUBLIC EDUCATION CAPITAL OUTLAY (PECO) ESTIMATING CONFERENCE MAXIMUM POSSIBLE PECO TRUST FUND APPROPRIATION				
		July '09 REC <u>Estimate</u>	Nov '09 REC <u>Estimate</u>	<u>Change</u>
FY 10-11	Maximum Available	161.9	425.6	263.7
	Bonded Projects	10.1	46.0	35.9
	Non-bonded Projects	151.8	379.6	227.8
FY 11-12	Maximum Available	464.3	300.7	-163.6
	Bonded Projects	268.5	102.6	-165.9
	Non-bonded Projects	195.8	198.1	2.3
FY 12-13	Maximum Available	793.4	767.7	-25.7
	Bonded Projects	574.8	539.7	-35.1
	Non-bonded Projects	218.6	228.0	9.4



Other Revenues (relative to Long-Range Financial Outlook)

- While the confidence level in the current projections for the **Tobacco Tax and Surcharge** has continued to increase, the Conference made no changes to the estimate that was done in August of 2009. Although overall collections are running slightly ahead of estimate, month-to-month variations in collections make a clear upward trend difficult to establish.

Tobacco Tax and Surcharge Conference Comparison of the August 2009 and November 2009 Forecasts				
	2009-10	2010-11	2011-12	2012-13
Cigarette Tax				
August 2009	316.3	329.8	324.9	323.1
November 2009	316.3	329.8	324.9	323.1
Difference	0.0	0.0	0.0	0.0
Cigarette Surcharge *				
August 2009	957.9	986.1	971.5	966.0
November 2009	957.9	986.1	971.5	966.0
Difference	0.0	0.0	0.0	0.0
OTP Tax				
August 2009	23.0	23.9	24.3	25.0
November 2009	23.0	23.9	24.3	25.0
Difference	0.0	0.0	0.0	0.0
OTP Surcharge *				
August 2009	55.2	57.4	58.3	60.0
November 2009	55.2	57.4	58.3	60.0
Difference	0.0	0.0	0.0	0.0



* 2009-10 figures include floor tax

Current Year GR Deficits & Balance

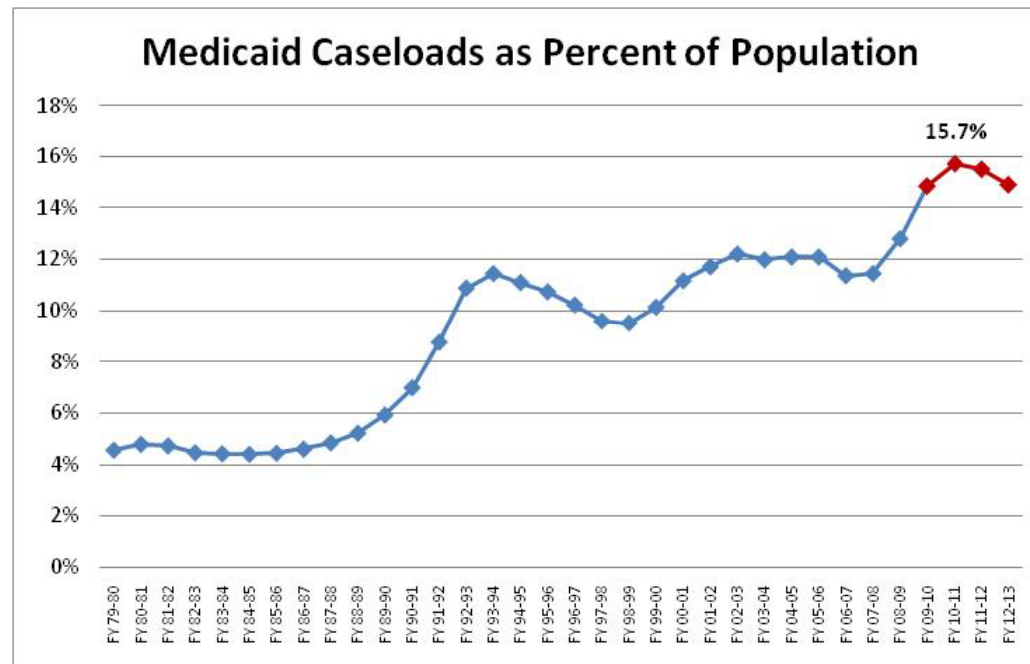
	<u>AUGUST</u>	<u>OCTOBER</u>
Unallocated General Revenue (Current Outlook)	+\$667.1 M	+1,048.7 M
<ul style="list-style-type: none"> Medicaid <ul style="list-style-type: none"> FY 2008-09 & 2009-10 	-\$224.8 million	-\$462.2 million
<ul style="list-style-type: none"> Principal State School Trust Fund <ul style="list-style-type: none"> FY 2009-10 	-\$ 38.1 million	-\$ 38.1 million
<ul style="list-style-type: none"> Risk Management Trust Fund <ul style="list-style-type: none"> FY 2009-10 	-\$ 5.3 million	-\$ 8.5 million
<ul style="list-style-type: none"> Voluntary Pre-Kindergarten <ul style="list-style-type: none"> FY 2009-10 	-\$ 17.5 million	-\$ 17.5 million
	+\$381.4 M	+522.4 M



GOLD = Updated Number

Medicaid Caseload Increased

- Caseload Estimating Conference-** The caseload projection for the 2009-10 fiscal year is 69,718 higher than the estimate adopted last July. The caseload continues to rise into next fiscal year (+6.2%) --- producing an historic caseload of over 2.95 million in FY 2010-11, serving 15.7% of Florida's population, before beginning a slow decline.



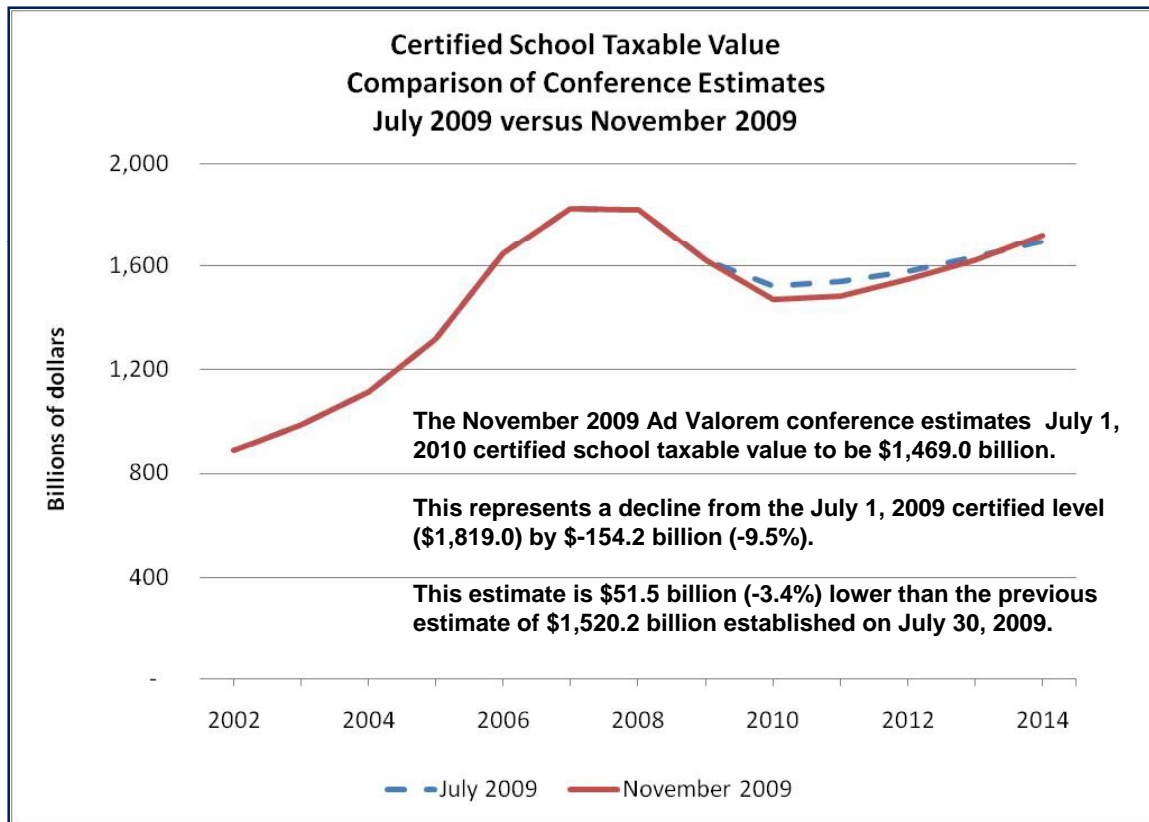
Medicaid Expenditures Also Rise

- Expenditure Estimating Conference-** Expenditures for FY 2009-10 increased by \$834.5 million, \$1315.1 million higher than the current year appropriation. However, the conference formally adopted a revised FMAP that improves the federal share in subsequent years, limiting the amount of needed state dollars. This makes the FY 2010-11 GR need only \$119 million more than anticipated in July.

	FY 2009-10 <u>Forecast</u>	Surplus/ <u>(Deficit)</u>	FY 2010-11 <u>Forecast</u>	Surplus/ <u>(Deficit)</u>
TOTAL	18784.1	(1315.1)	19094.8	(2670.8)
General Revenue	3029.8	(462.2)	4016.3	(1727.4)
Medical Care TF	12006.3	(934.9)	11064.8	(652.6)
Refugee Assistance TF	20.1	2.3	20.8	1.6
Public Medical Assistance TF	538.2	0.0	545.8	(7.6)
Other State Funds	513.6	0.4	605.5	(97.6)
Grants and Donations TF	1772.5	79.3	1938.0	(187.2)
Health Care Trust Fund	851.0	0.0	851.0	0.0
Tobacco Settlement TF	52.6	0.0	52.6	0.0



Lower Ad Valorem Forecast



FEFP Impact

Relative to the Long-Range Financial Outlook, the new forecast results in additional need to get back to the numbers used in that analysis:

- **\$814.4 million** in 2010-11 instead of \$515.8 million (+\$298.6 million).
- **\$19.9 million** in 2011-12 instead of \$7.9 million (+\$12 million).



Changed Budgetary Needs

Relative to the expenditures shown in the Long-Range Financial Outlook...

- **Prison population** has been reduced. (-)
- **Risk Management Trust Fund** outlook worsened. (+)
- **Retirement System** outlook worsened. (+)
- **Community College** population was increased. (+)
- **Public School Enrollment** students increased. (+)
- **Voluntary Prekindergarten** students increased. (+)
- **KidCare, TANF, Bright Futures** and **State Health Insurance** are running under estimate in the current year, and needs are slightly lower or relatively flat for the next year. (neutral to -)

Bottom Line...

- Revenues were moderately increased.
- Anticipated expenditures were increased – significantly in some areas.
- Anticipated expenditure increases are at least as great as the revenue gains.
- The Long-Range Financial Outlook has worsened since the Fall.
 - The amount depends on the policy decisions made through the appropriations process on how to address the expenditure increases.

