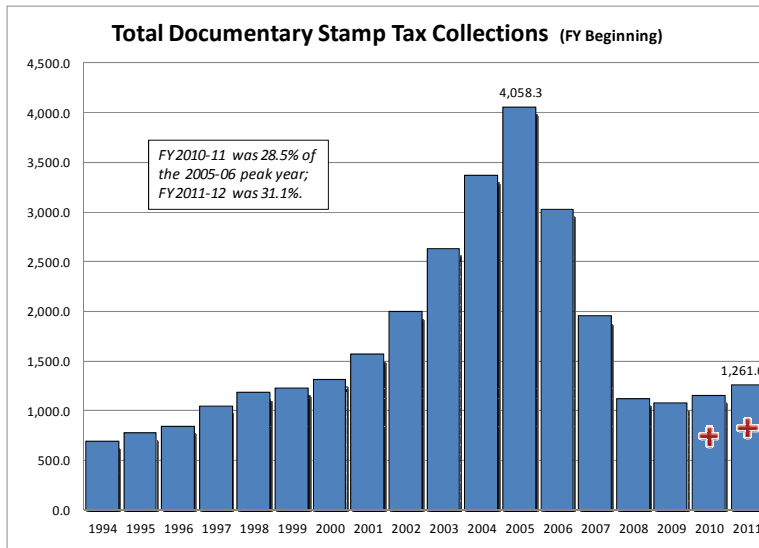
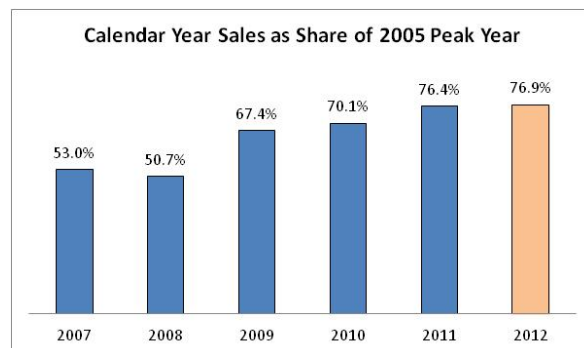


Documentary Stamp Tax Executive Summary Summer 2012

The pace of Florida's recovery in Documentary Stamp Tax collections will be driven in large measure by the time it takes the *construction industry* to revive. The persistently large inventory of unsold houses coupled with the still sluggish credit market for residential loans continue to dampen residential construction activity and sales. Documentary Stamp Tax collections were only 31.1 percent of their prior peak as the fiscal year ended (Fiscal Year 2011-12), but this was just the second year of growth after four of actual declines.



In the last conference prior to the start of the 2011-12 fiscal year (February 2011), the Florida Economic Estimating Conference (FEEC) had expected only 49,500 private housing starts for the year. In fact, starts activity came in at a weak 47,200. However, the moribund housing market is now displaying some signs of life. Building permit activity, an indicator of new construction, is back in positive territory, showing strong year-over-year growth for the first six months of the 2012 calendar year. In addition, existing home sales in 2011 showed marked improvement from the prior calendar year, coming in at 76.4 percent of the 2005 banner year sales. They also look on track to slightly better that percentage in 2012.



While the national inventory of unsold homes had improved to a fairly stable six months in June 2011, the picture is much different in Florida. Foreclosures have further swelled the state’s unsold inventory of homes and will continue to do so in the near-term. Private sector data for July 2012 shows that Florida was the second highest state in the country for foreclosure filings, and third highest for the rate of foreclosure. While many of the legal issues regarding the processing of foreclosure documents were largely resolved by the National Mortgage Settlement Agreement finalized in early 2012, foreclosure starts have just recently begun returning to expected levels. Prior to the increase of foreclosures in 2007, the average foreclosure took 169 days or slightly less than six months. Today, a foreclosure takes 861 days to process (about 2.5 years), the third longest period in the nation. The abnormally long time to complete the foreclosure process slows the placement of these properties on the market—and in the interim, the actual backlog continues to build. Today, slightly less than half of all residential loans in Florida are for homes that remain underwater. Absent some intervention, these homeowners are the most likely to move into (or already be in) delinquent status.

Foreclosures & Shadow Inventory

State	Del %	FC %	Non-Curr %	Yr/Yr Change in NC%	State	Del %	FC %	Non-Curr %	Yr/Yr Change in NC%	State	Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National	7.2%	4.1%	11.3%	-6.3%	National	7.2%	4.1%	11.3%	-6.3%	National	7.2%	4.1%	11.3%	-6.3%
FL *	7.6%	13.7%	21.3%	-6.1%	AL	9.7%	1.9%	11.6%	-3.8%	AZ	5.9%	2.9%	8.7%	-24.3%
MS	13.0%	4.0%	17.0%	-0.8%	WV	9.1%	2.4%	11.5%	-4.6%	KS *	6.5%	2.1%	8.6%	-1.2%
NJ *	8.1%	7.6%	15.8%	8.4%	PA *	7.4%	3.9%	11.3%	1.9%	VT *	4.9%	3.8%	8.7%	7.9%
NV	10.2%	5.2%	15.3%	-15.1%	AR	9.4%	1.9%	11.3%	9.4%	NH	6.4%	2.0%	8.4%	-5.4%
IL *	7.1%	6.8%	13.9%	-1.1%	NC	7.9%	3.1%	11.0%	-3.1%	UT	6.0%	1.9%	8.0%	-8.5%
OH *	8.6%	4.3%	13.5%	-1.8%	KY *	7.3%	3.7%	11.0%	-0.8%	OR	4.6%	3.4%	8.0%	-6.8%
IN *	8.7%	4.5%	13.2%	-3.4%	HI *	5.0%	5.9%	10.9%	1.4%	IA *	5.1%	2.9%	8.0%	-3.0%
GA	10.1%	2.9%	11.0%	-7.7%	MI	8.0%	2.5%	10.4%	-12.8%	ID	5.0%	2.9%	7.8%	-8.9%
NY *	6.9%	6.1%	12.9%	3.3%	OK *	6.8%	3.3%	10.1%	-1.1%	VA	5.9%	1.7%	7.6%	-7.7%
MD *	8.2%	4.6%	12.8%	2.6%	NM *	5.6%	4.1%	9.7%	-0.5%	NE *	5.1%	1.3%	6.4%	-5.4%
LA *	9.4%	3.2%	12.6%	-4.3%	WI *	6.3%	3.5%	9.8%	6.7%	ND	4.4%	1.6%	6.3%	-11.9%
RI	8.5%	3.9%	12.4%	-5.3%	MA	7.2%	3.2%	10.4%	-1.4%	MT	4.4%	1.6%	6.1%	-10.6%
ME *	7.1%	5.1%	12.3%	3.0%	DC	6.6%	3.2%	10.4%	-1.4%	WY	4.4%	1.6%	5.7%	-12.0%
CT *	6.6%	5.6%	12.2%	4.5%	WA	7.4%	3.2%	10.4%	-1.4%	CO	5.2%	2.1%	5.2%	-6.9%
SC *	7.6%	4.5%	12.1%	-3.1%	CA	6.2%	3.2%	10.4%	-1.4%	UT	4.9%	2.1%	4.9%	-2.8%
TN	9.6%	2.2%	11.9%	-5.2%	MO	7.4%	3.2%	10.4%	-1.4%	MT	4.9%	2.1%	4.9%	-13.9%
DE *	8.3%	3.3%	11.6%	0.3%	TX	7.4%	3.2%	10.4%	-1.4%	ND	3.8%	1.6%	3.8%	-10.4%

* - Indicates Judicial State

State	Del %	FC %	Non-Curr %
National	7.2%	4.1%	11.3%
FL *	7.6%	13.7%	21.3%

The following quote from the *Financial Times* best summarizes the situation in Florida, although it was not written about Florida:

“Optimists point to declining home inventories in relation to sales, but they are looking at an illusion. Those supposed inventories do not include about 5m housing units with delinquent mortgages or those in foreclosure, which will soon be added to the pile. Nor do they include approximately 3m housing units that stand vacant – foreclosed upon but not yet listed for sale, or vacant homes that owners have pulled off the market because they can’t get a decent price for them.”

Based on the most recent data, the *excess* supply of homes in Florida continues to grow. Subtracting the “normal” inventory of approximately 50,000 and using the most recent sales experience, the state will need significant time to work off the current excess – at least two years

in the optimistic scenario, likely longer. Because the state is so diverse, some areas will reach recovery much faster than other areas. However, the overall Florida economy is unlikely to significantly improve until new construction comes back to life, and that won't happen until the existing inventory is reduced.

In April 2012, over 44 percent of all sales were either REO or short sales, and most of these sales were heavily discounted. Even more remarkable, nearly 40 percent of the sales were cash sales—leaving just 16 percent of the sales using financing arrangements. In part, these statistics are influenced by low housing prices that attract investors willing to wait for the market to improve, but they are also influenced by extremely tight credit conditions. Banks have been reporting that they are less likely than in prior years to originate mortgages to any borrowers apart from those with the strongest credit profiles. In addition, downpayments of 20% or more are also being required. The Federal Reserve Board conducts a Senior Loan Officer Survey of bank lending practices once each quarter. While conditions had been holding steady (albeit at elevated levels), the July 2012 results showed a new tightening of standards for approving applications from individuals for prime residential mortgage loans. This practice poses a serious risk for the current forecast if it continues.

July 2012 Senior Loan Officer Opinion Survey on Bank Lending Practices
Federal Reserve Board

	All Respondents								
	July '12 %	Apr '12 %	Jan '12 %	Oct '11 %	July '11 %	Apr '11 %	Jan '11 %	Oct '10 %	July '10 %
Tightened considerably	1.6%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tightened somewhat	1.6%	5.6	0.0	4.2	5.7	3.8	3.7	13.0	3.6
Remained basically unchanged	93.4	90.7	94.3	91.7	86.8	92.5	94.4	83.3	87.3
Eased somewhat	3.3	3.7	5.7	4.2	7.5	2.0	1.9	3.7	9.1
Eased considerably	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Currently, the key housing market metrics do not show a return to their peak levels until 2018-19 (residential construction expenditures) and 2019-20 (total construction expenditures). The rest either do not return to their peak at all during the forecast horizon (construction employment; multi-family starts, single family home sales and median price) or very late in the period (2021-22: private housing starts and single-family starts).

Total annual Documentary Stamp Tax collections were greatest in Fiscal Year 2005-06 at \$4.1 billion. In contrast, the forecast for Fiscal Year 2012-13 is only \$1.4 billion. Even so, this represents an 11.9 percent increase over the prior year—largely driven by a temporary increase in refinancing activity induced by the federal Home Affordable Refinance Program (HARP). Positive growth is expected throughout the rest of the forecast, albeit at more moderate levels (2013-14 at 6.5 percent, Fiscal Year 2014-15 at 7.8 percent, and 2015-16 at 7.4 percent).

Documentary Stamp Tax Collections and Distributions
Post August 09, 2012 GR

Statutory		F.S.	Statutory % Distributions	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
%s	\$ Caps			2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
			Total Documentary Stamp Tax Collections	1,261.6	1,411.2	1,503.0	1,619.5	1,739.1	1,834.4	1,932.5	2,020.8	2,116.1	2,212.4
		201.15	DOR Administrative Costs	7.7	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8
8.00%		201.15	Less: General Revenue Service Charge	101.0	112.9	120.2	129.6	139.1	146.8	154.6	161.7	169.3	177.0
			Net Available for Distribution	1,154.3	1,288.5	1,373.0	1,480.1	1,590.2	1,677.8	1,768.1	1,849.3	1,937.0	2,025.6
63.31%		201.15(1)	Distribution for General Revenue and Debt Service	730.8	815.7	869.2	937.1	1,006.8	1,062.2	1,119.4	1,170.8	1,226.3	1,282.4
		201.15(1)(a)&(b)	P2000/Florida Forever/Everglades Restoration Debt Service	425.8	430.5	173.7	173.9	173.6	173.8	173.8	173.8	174.0	173.9
New % Share	\$ Caps		GR Share Available for Distribution After Debt Service	305.0	385.2	695.5	763.2	833.2	888.4	945.6	997.0	1,052.3	1,108.5
0.2300%	3.25	201.15(1)(c)	Dept. of Economic Opportunity Grants & Donations Trust Fund	0.7	0.9	1.6	1.8	1.9	2.0	2.2	2.3	2.4	2.6
0.0000%		201.15(1)(c)	State Economic Enhancement and Development Trust Fund	0.0	50.0	65.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
38.2000%	541.75	201.15(1)(c)	State Transportation Trust Fund	116.3	97.2	200.7	216.5	243.3	264.4	286.2	305.9	327.0	348.5
2.1200%	30.0	201.15(1)(c)	Ecosystem Management & Restoration Trust Fund	6.5	8.2	14.7	16.2	17.7	18.8	20.1	21.1	22.3	23.5
0.0200%	0.3	201.15(1)(c)	General Inspection Trust Fund, oyster management and restoration	0.061	0.080	0.140	0.150	0.170	0.180	0.190	0.200	0.210	0.220
40.57%	657.3	201.15(1)(c)	Total Distributions From GR Share After Debt Service	123.6	156.3	282.2	309.6	338.0	360.4	383.6	404.5	426.9	449.7
		201.15(1)(d)	General Revenue by Formula After Other Distributions	181.0	228.9	413.3	453.6	495.2	528.0	562.0	592.5	625.4	658.8
		201.15(16)	Additional General Revenue due to Trust Fund Caps	19.6	28.8	36.2	47.4	64.3	78.7	93.0	106.2	120.5	135.1
		373.59(8)(a),(b),(c)	Transfer from Water Management Lands Trust Fund	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
			Total General Revenue	208.6	265.7	457.5	509.0	567.5	614.7	663.0	706.7	753.9	801.9
			Available for Other Distributions to Other Trust Funds	423.5	472.8	503.8	543.0	583.4	615.6	648.7	678.5	710.7	743.2
			10% Growth From Prior Year	9.9	13.4	8.5	10.7	11.0	8.8	9.0	8.1	8.8	8.9
Statutory %	Caps *												
7.56000%	84.9	201.15(2)	Land Acquisition Trust Fund (LATF)	78.6	79.6	79.2	79.4	79.4	79.3	79.3	79.2	79.3	79.3
1.94000%	26.0	201.15(3)	LATF - Coastal Lands Acquisition & Debt Service	11.4	14.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
4.20000%	60.5	201.15(4)	Water Management Lands Trust Fund	48.4	54.1	57.7	61.0	61.0	60.9	60.9	60.8	60.9	60.9
3.12752%	na	201.15(5)	Conservation and Recreation Lands (CARL) Trust Fund	36.1	40.3	42.9	46.3	49.7	52.5	55.3	57.8	60.6	63.4
0.39248%	na	201.15(5)	State Game Trust Fund (from CARL) - Land Management	4.5	5.1	5.4	5.8	6.2	6.6	6.9	7.3	7.6	8.0
2.28000%	34.1	201.15(6)	Invasive Plant Control Trust Fund	26.3	29.4	31.3	33.8	34.4	34.3	34.3	34.3	34.3	34.3
0.50000%	9.3	201.15(7)	State Game Trust Fund - Lake Restoration 2020 Program	5.8	6.4	6.9	7.4	8.0	8.4	8.8	9.3	9.3	9.3
0.25000%	na	201.15(8)	Water Quality Assurance Trust Fund	2.9	3.2	3.4	3.7	4.0	4.2	4.4	4.6	4.8	5.1
0.25000%	na	201.15(8)	General Inspection Trust Fund	2.9	3.2	3.4	3.7	4.0	4.2	4.4	4.6	4.8	5.1
0.00000%	na	201.15(9)	State Economic Enhancement and Development Trust Fund	0.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0
3.76500%	na	201.15(9)(a)	State Housing Trust Fund	43.4	31.01	34.19	38.23	42.37	45.67	49.07	52.13	55.43	58.76
3.76500%	na	201.15(9)(b)	Local Government Housing Trust Fund	43.4	31.01	34.19	38.23	42.37	45.67	49.07	52.13	55.43	58.76
0.00000%	na	201.15(10)	State Economic Enhancement and Development Trust Fund	0.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0
1.08250%	na	201.15(10)(a)	State Housing Trust Fund	12.5	8.95	9.86	11.02	12.21	13.16	14.14	15.02	15.97	16.93
7.57750%	na	201.15(10)(b)	Local Government Housing Trust Fund	87.4	62.64	69.04	77.15	85.50	92.14	98.98	105.13	111.78	118.49
36.69%			Subtotal Statutory % Distributions	403.6	444.0	467.6	495.6	519.1	536.9	555.7	572.3	590.2	608.1
			Effective %	35.0%	34.5%	34.1%	33.5%	32.6%	32.0%	31.4%	30.9%	30.5%	30.0%

Note:
Effective July 1, 2007, certain of the above trust funds have their distributions capped as indicated.
Effective July 1, 2008, when total collections increase from the prior year, distributions of capped funds are increased by 10% of the growth of total collections from the prior fiscal year, multiplied by the fund's applicable statutory percentage, except for the 201.15(3) cap, which receives no adjustment.