

Florida Economic Trends: Key Short and Long-Term Drivers

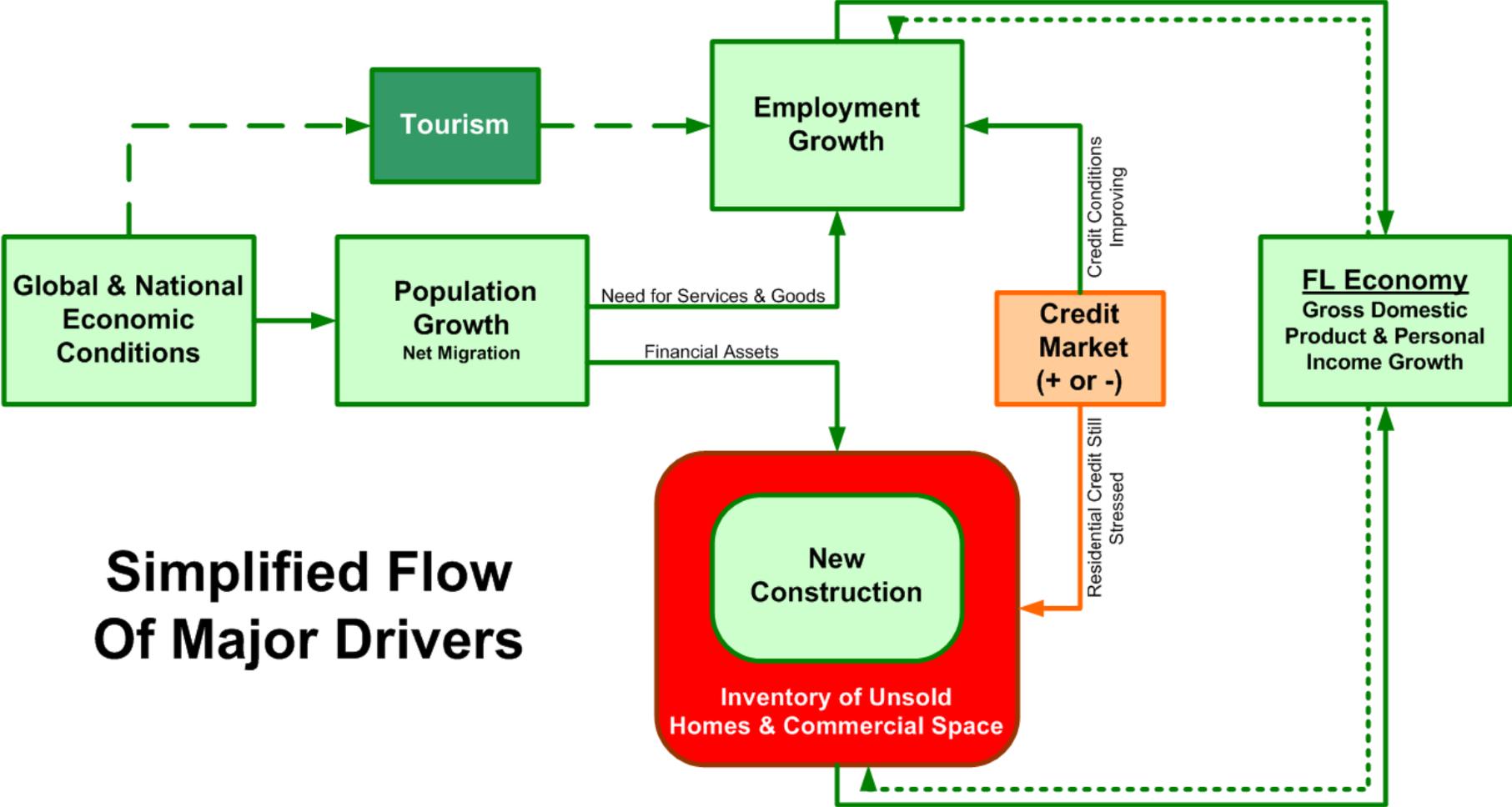
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Presented by:



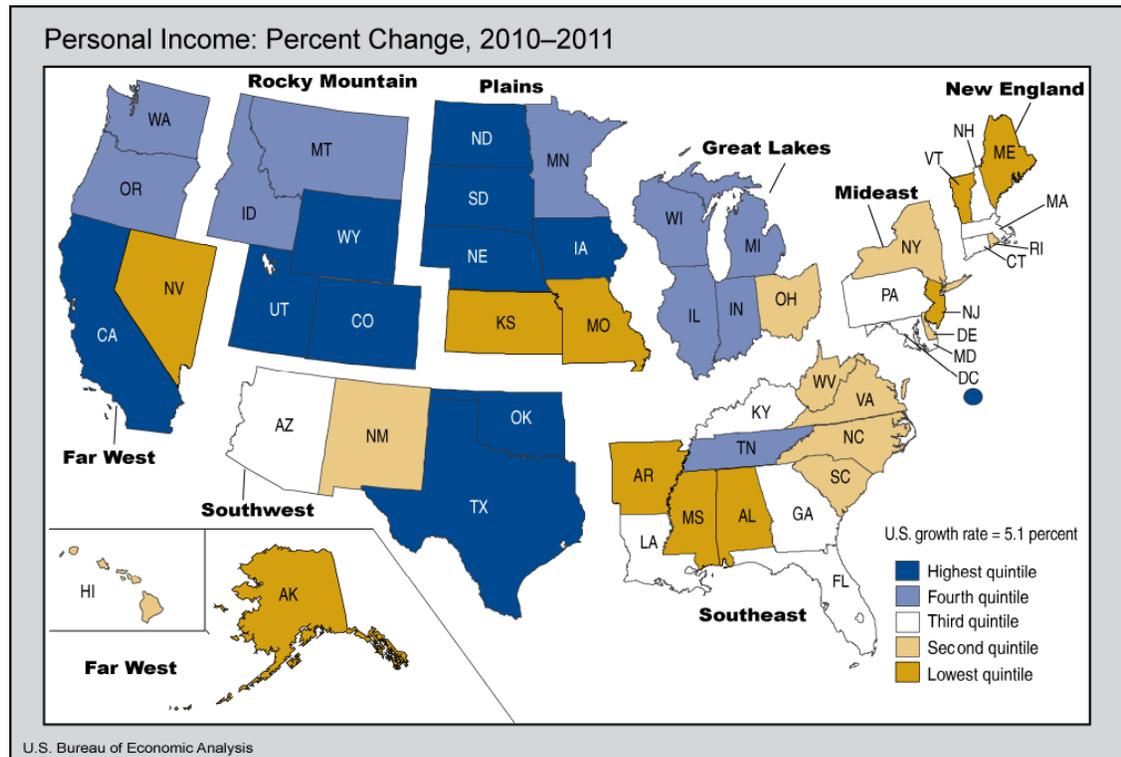
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Key Economic Variables Improving



**Simplified Flow
Of Major Drivers**

FL Personal Income Grows in 2011



Florida's per capita personal income grew 3.5 percent in 2011 over 2010, ranking the state 45th in the country with respect to state growth. The national average was 4.3 percent. As normal in states with relatively strong population growth, overall income growth was higher (4.7 percent in Florida --- ranked 29th; 5.1 percent in the United States).

Earnings, which grew an average 4.4 percent in 2011, recovered their pre-recession levels and reached new peaks in 45 states. Earnings in Arizona, Florida, Michigan, Nevada, and Oklahoma are still below peaks reached in 2007 or 2008.

Employment Breakdown

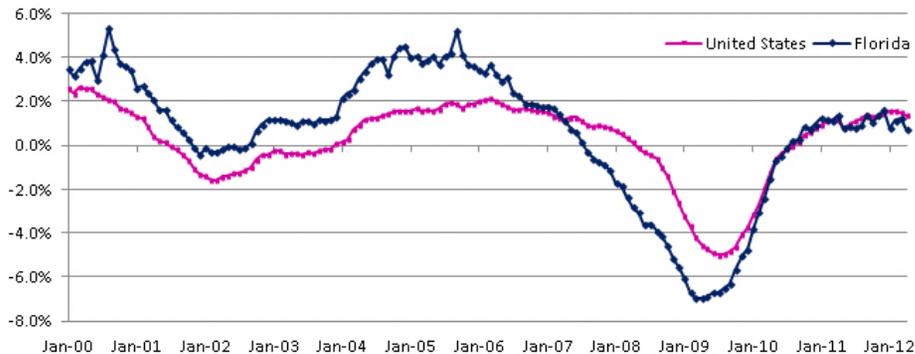
Average Annual Employment			Average Annual Wage			
Percent by Major Industry, 2010			by Major Industry, 2010			
	Florida	US		Florida	US	Florida as a percent of the US
Total, All Industries			Total, All Industries	\$41,581	\$46,751	88.9%
Natural Resources and Mining	1.2%	1.4%	Natural Resources and Mining	\$24,307	\$49,820	48.8%
Construction	4.9%	4.3%	Construction	\$41,075	\$49,597	82.8%
Manufacturing	4.3%	9.0%	Manufacturing	\$51,845	\$57,526	90.1%
Trade, Transportation and Utilities	20.5%	19.1%	Trade, Transportation and Utilities	\$37,111	\$39,109	94.9%
Information	1.9%	2.1%	Information	\$61,519	\$74,395	82.7%
Financial Activities	6.6%	5.8%	Financial Activities	\$57,044	\$73,977	77.1%
Professional and Business Services	14.7%	13.1%	Professional and Business Services	\$49,191	\$60,145	81.8%
Education and Health Services	14.8%	14.6%	Education and Health Services	\$43,706	\$43,604	100.2%
Leisure and Hospitality	12.9%	10.2%	Leisure and Hospitality	\$21,447	\$19,387	110.6%
Other Services	3.2%	3.4%	Other Services	\$29,622	\$29,370	100.9%
Government	15.0%	16.9%	Government	\$47,365	\$48,202	98.3%

Percentages may not add to 100% as some businesses are not classified in an industry.

Source: U.S. Department of Labor, Bureau of Labor Statistics, Quarterly Census of Employment and Wages, www.bls.gov as of June 5, 2012.

Current Employment Conditions

Seasonally Adjusted Nonfarm Jobs
Percent Change from Same Month Prior Year



Source: Florida Department of Economic Opportunity, Labor Market Statistics Center, Current Employment Statistics Program, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics, May 18, 2012.

April Nonfarm Jobs (YOY)

US	1.4%
FL	0.7%
YR:	52,600 jobs
Peak:	-749,500 jobs

April Unemployment Rate

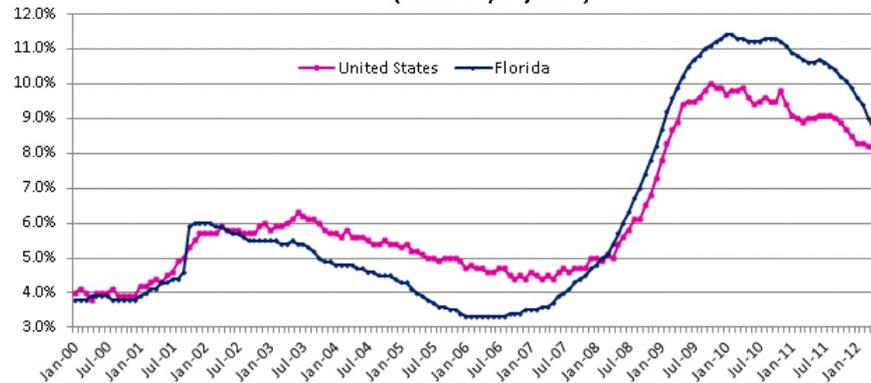
US 8.1%
FL 8.7%
(804,000 people)

Seven states had a higher unemployment rate than Florida.
Florida was tied with two states: Illinois and Mississippi

Highest Monthly Rate

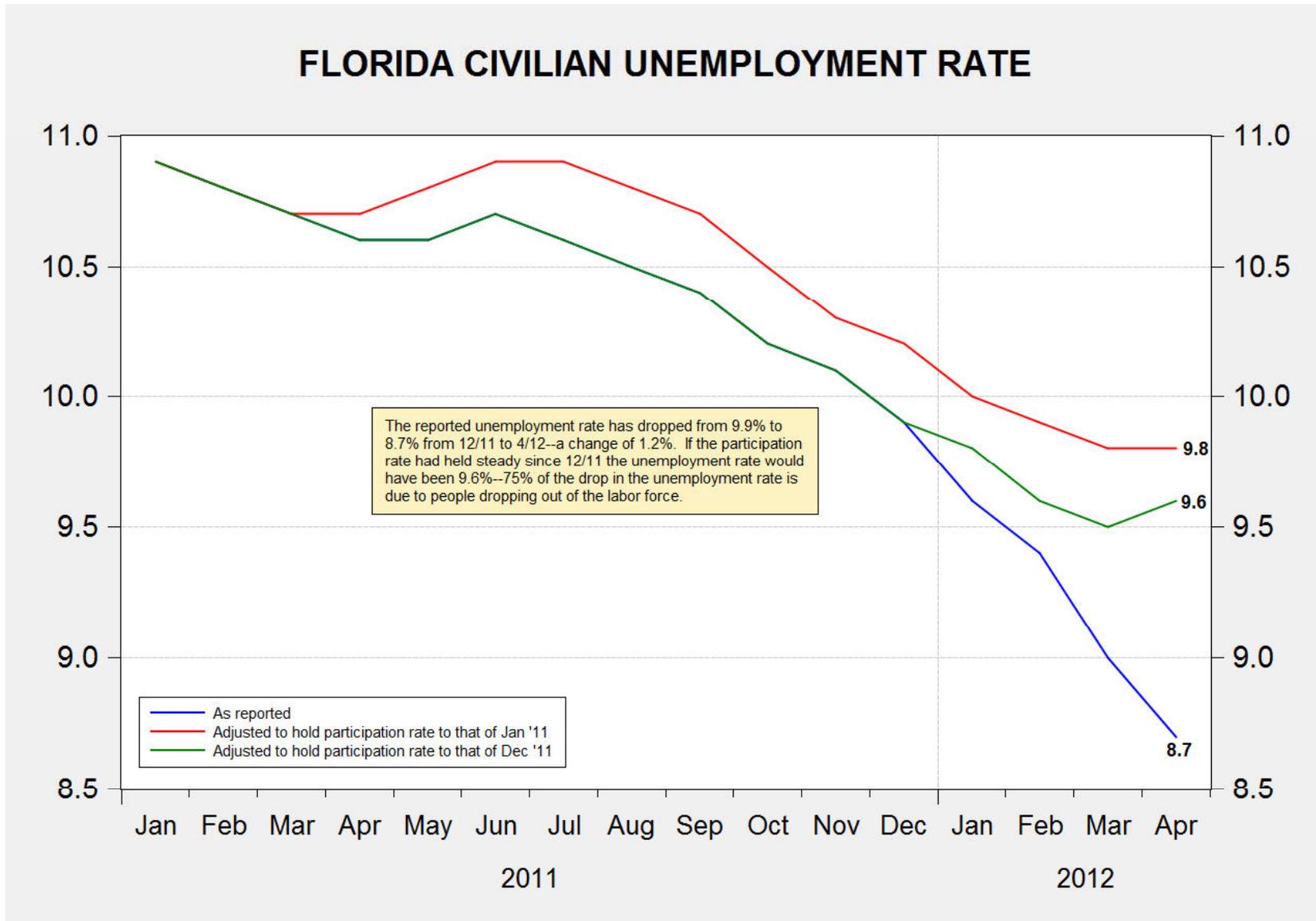
January & February 2010
11.4%

United States and Florida Unemployment Rates
(seasonally adjusted)



Source: Florida Department of Economic Opportunity, Labor Market Statistics Center, Local Area Unemployment Statistics Program, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics, May 18, 2012.

Labor Force Reduction Accounts for Most of Rate Drop

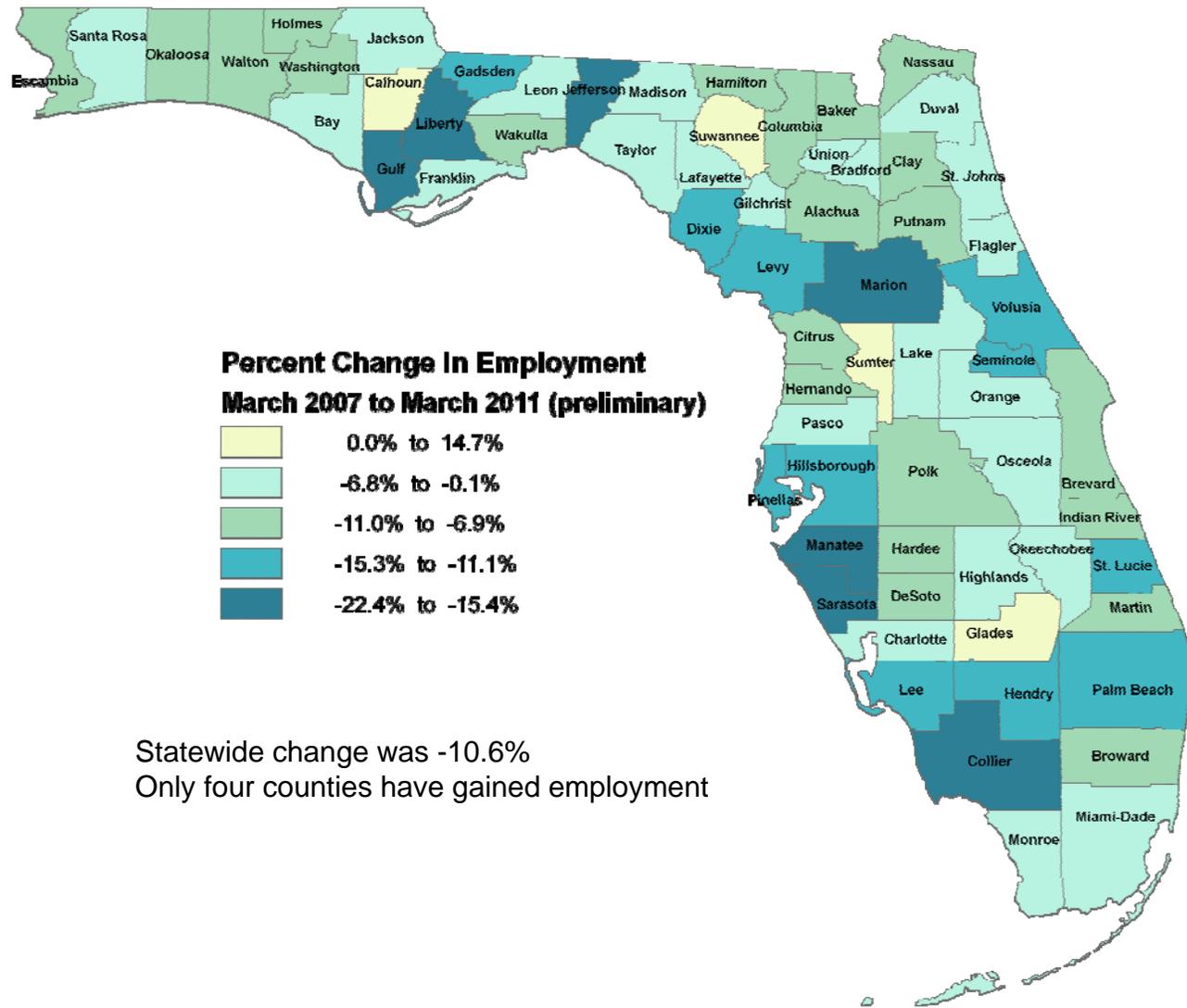


Florida's Job Market

- The job market will take a long time to recover – about 749,500 jobs have been lost since the most recent peak. Rehiring, while necessary, will not be enough.
- Florida's prime working-age population (aged 25-54) is forecast to add over 2,600 people per month, so the hole is deeper than it looks.
- It would take the creation of about 1 million jobs for the same percentage of the total population to be working as was the case at the peak.



Employment Down from Peak Levels

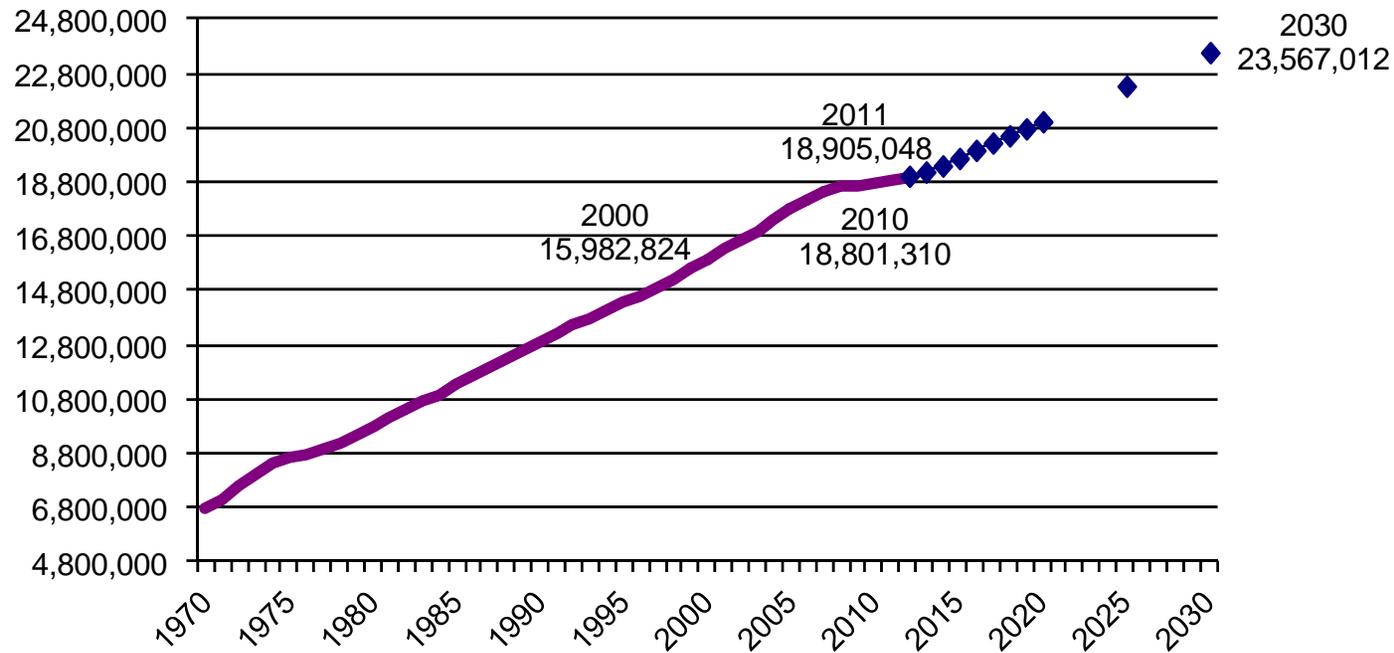


Population Growth Recovering

- Population growth is the state's primary engine of economic growth, fueling both employment and income growth.
- Population growth is forecast to remain relatively flat – averaging 0.85% between 2011 and 2014. However, growth is expected to recover in the future – averaging 1.1% between 2025 and 2030 with 86% of the growth coming from net migration. Nationally, average annual growth will be about 0.9%.
- The future will be different than the past; Florida's long-term growth rate between 1970 and 1995 was over 3%.
- Florida is on track to break the 20 million mark during 2016, becoming the third most populous state sometime before then – surpassing New York.



Florida's April 1 Population Snapshot

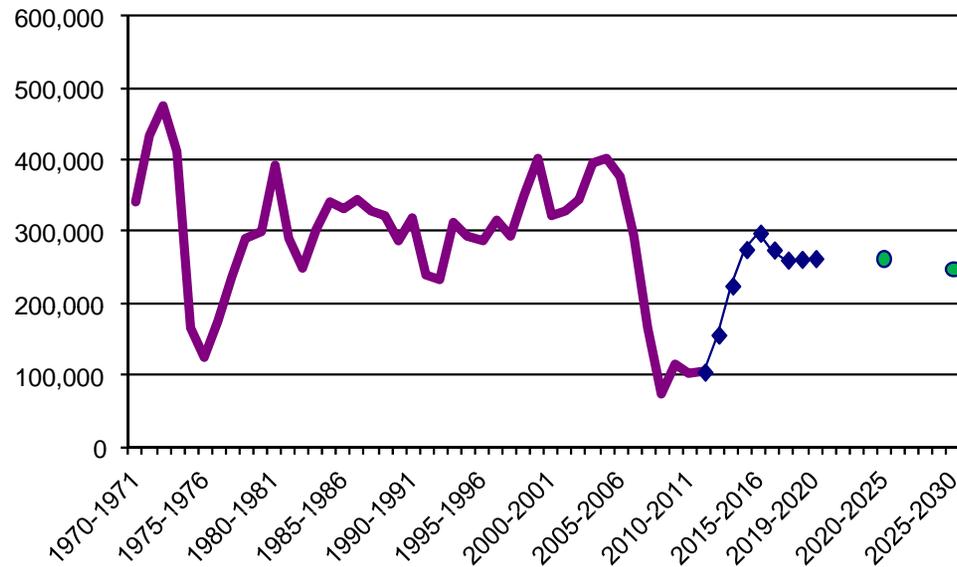


Florida's population:

- was 15,982,824 in 2000
- was 18,801,310 in 2010
- is forecast to grow to 23,567,012 by 2030



Florida's Population Growth



Population:

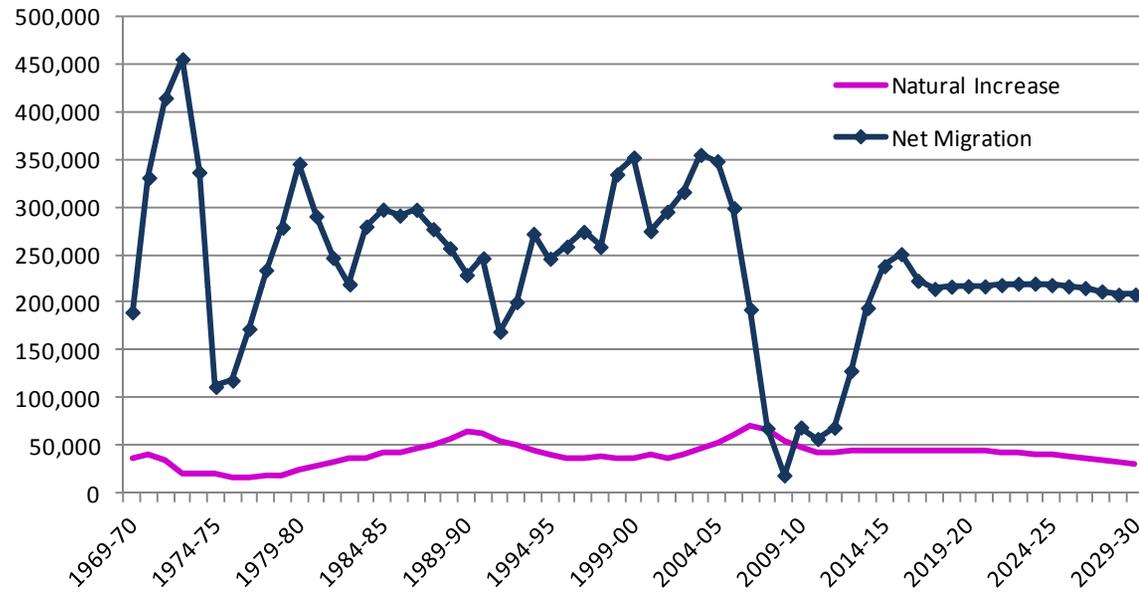
- Average annual increase between 2000 and 2006 was: 361,942
- Average annual increase between 2007 and 2011 was: 114,570

Population is forecast to increase on average by:

- 189,981 between 2011 and 2015
- 271,334 between 2015 and 2020
- 261,580 between 2020 and 2025
- 247,494 between 2025 and 2030 – a city equivalent to St. Petersburg



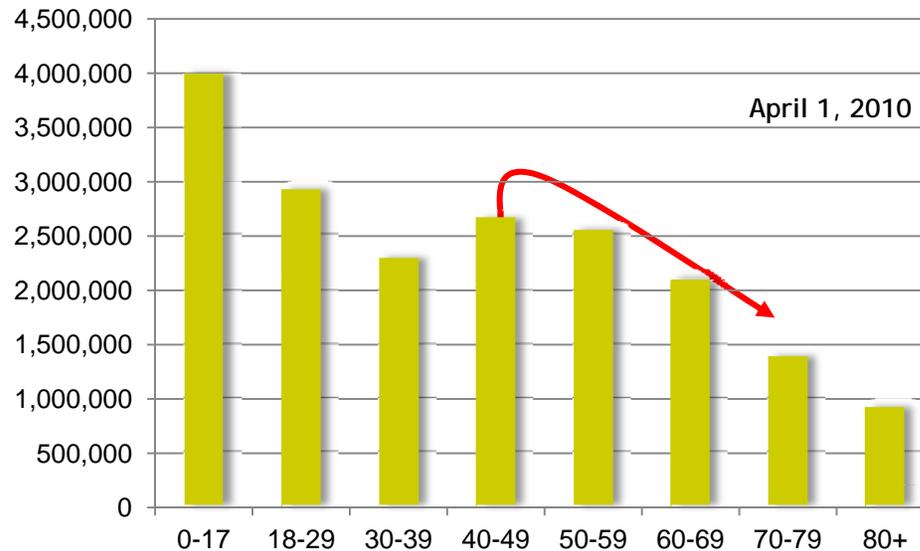
Florida's Population Growth



- Typically, most of Florida's population growth is from net migration.
- In 2030, net migration is forecast to represent 87.4 percent of Florida's population growth.
- For the future aging population, it's not just the Floridians that are here today who are aging in place, but it is also the people who have yet to move to Florida.



Snapshot of Population by Age Group

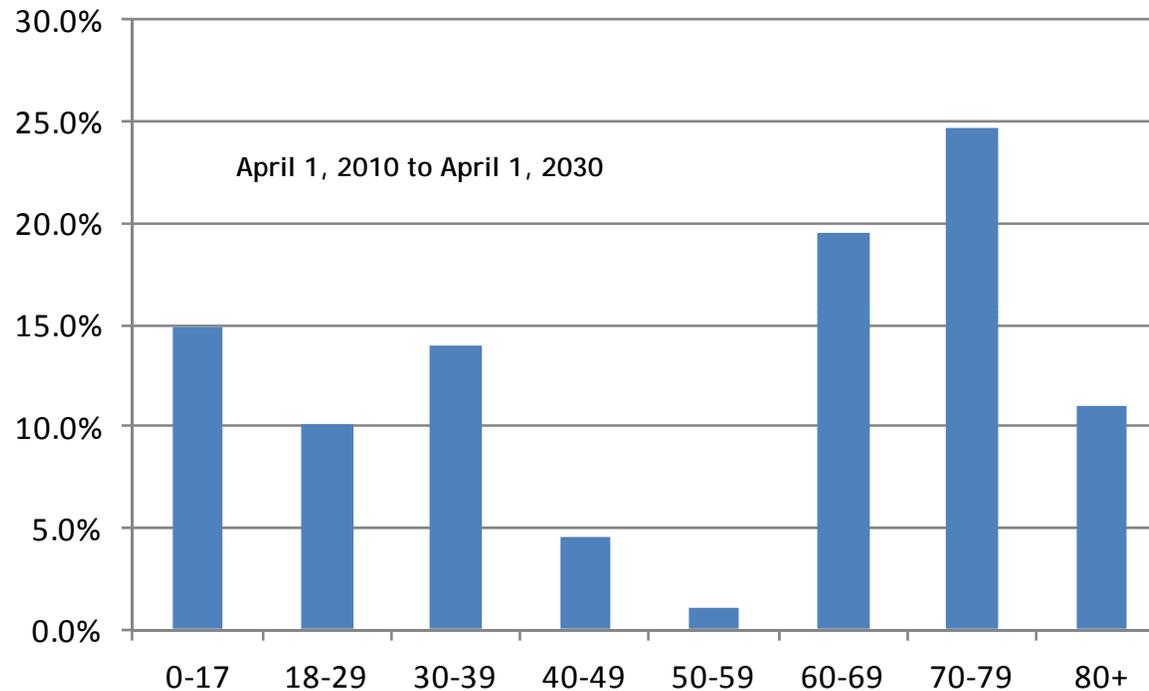


As of April 1, 2010, there were:

- 4.0 million Floridians under the age of 18
- 2.9 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
- 2.1 million Floridians in their 60s
- 1.4 million Floridians in their 70s
- Almost 1.0 million Floridians 80 or older

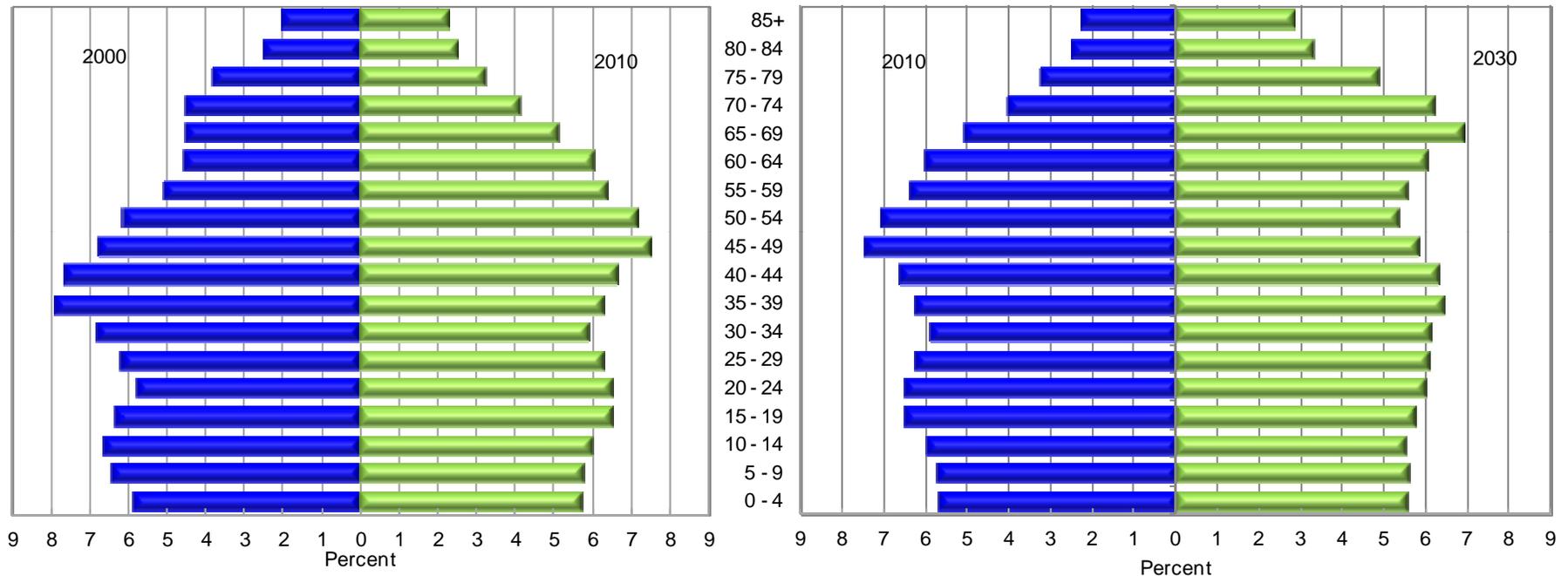


Population Growth by Age Group



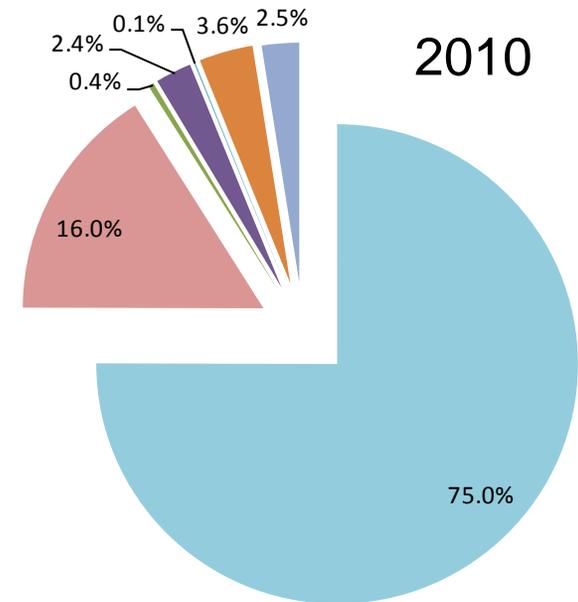
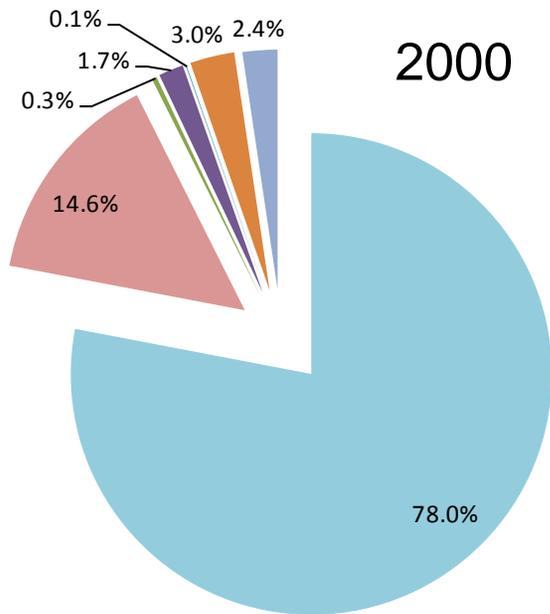
- Between 2010 and 2030, Florida's population is forecast to grow by almost 5.1 million.
- Florida's older population (age 60 and older) will account for most of Florida's population growth, representing 55.2 percent of the gains.
- Florida's younger population (age 0-17) will account for 15.0 percent of the gains.

Total Population by Age Group



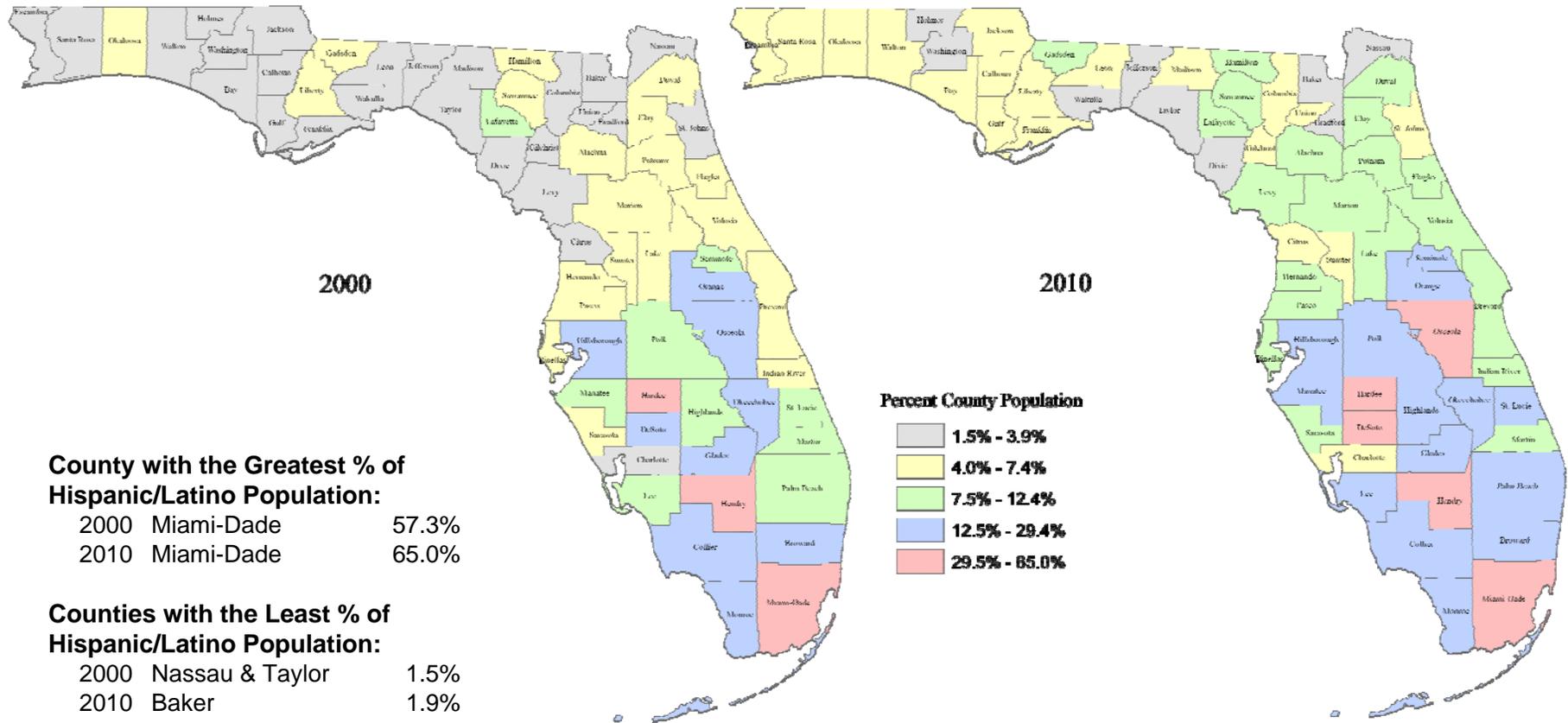
- In 2000, Florida's working age population (ages 25-54) represented 41.5 percent of the total population. With the aging Baby Boom generation, this population now represents 39.7 percent of Florida's total population and is expected to represent 36.0 percent by 2030.
- Population aged 65 and over is forecast to represent 24.1 percent in 2030.

Diversity is Increasing



- Based on the 2010 Census, Hispanics represent about 22.5 percent of Florida's population. And, Florida will become increasingly more Hispanic; Hispanics are forecast to represent over 27 percent of Florida's population in 2030.
- Florida's minority percentage of the population is 42.1% --- New York is now at 41.7%, and the nation as a whole is at 36.3%.

Hispanic/Latino Population by County



County with the Greatest % of Hispanic/Latino Population:
 2000 Miami-Dade 57.3%
 2010 Miami-Dade 65.0%

Counties with the Least % of Hispanic/Latino Population:
 2000 Nassau & Taylor 1.5%
 2010 Baker 1.9%

Statewide Percentages:
 2000 = 16.8%
 2010 = 22.5%



Language and Foreign Born

Language Spoken at Home	Estimate
Population 5 years and over	17,775,340
English only	12,907,073
Language other than English	4,868,267
Speak English less than "very well"	43.4%
Spanish or Spanish Creole	3,566,655
Speak English less than "very well"	45.3%
Other Indo-European languages	956,318
Speak English less than "very well"	36.7%
Asian and Pacific Islander languages	258,458
Speak English less than "very well"	46.0%
Other languages	86,836
Speak English less than "very well"	31.9%

- In 2010, almost 4.9 million Floridians (age 5 or older) spoke a language other than English at home, of which about 2.1 million spoke English less than “very well”. If this relationship continues, by 2030, around 6.1 million Floridians (age 5 or older) will speak a language other than English at home, of which about 2.7 million will speak English less than “very well”.
- In 2010, 19.4% of Florida’s population was foreign born.

Dual Florida Challenges...

- **Aging State** – more intense in Florida than elsewhere because the population share (over 24.1% 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)



A Fundamental Change to Florida's Economic Future: Baby Boom Retirees

- Birth Cycle: 1946 – 1964
- 2010 Census count of 46-64 year olds:
 - US: 77.0 million
 - FL: 4.8 million
- Entry into the Workforce: 1967 – 1985
- Entry into Retirement: 2011 – 2029

2050

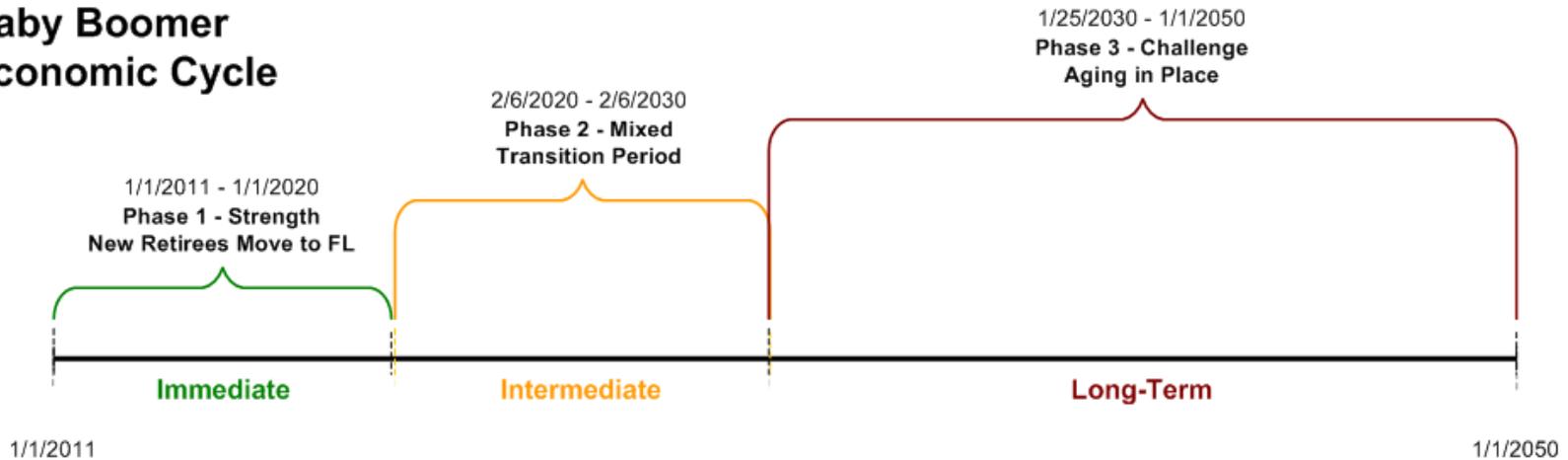


Global Trends

- 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 ~ 78.5 in 2009)



Baby Boomer Economic Cycle



OVER THE SHORTER-TERM ... (between now and 2020)

The Baby Boomers retiring to Florida will generally be financially better off than the average retiree; most will come with assets (at least from the sale of their homes).

Many will buy new homes in Florida and then outfit them --- generating additional tax revenues, largely as a result new money coming in to Florida from outside the state (earned elsewhere). New infusion of dollars has the greatest multiplier effect.

They will also tend to be younger retirees, and therefore healthier and more active --- meaning their demand for consumer services will be higher, strengthening the economy, while their demand for government services will be at its minimum.

OVER THE LONGER-TERM ... (between now and 2030)

As the Baby Boomers retire, they will be leaving vacant more jobs than there are workers to fill them.

The ability to create new jobs will be constrained by the numbers of qualified workers available to fill those jobs.

Both of these factors will lead to increased demand for workers and upward pressure on wages as the skilled supply of workers fails to keep pace with the demand.

Inflated wages will hurt economic growth, as well as make government services more costly to provide—just as the Boomers increase their need for government-supported services.

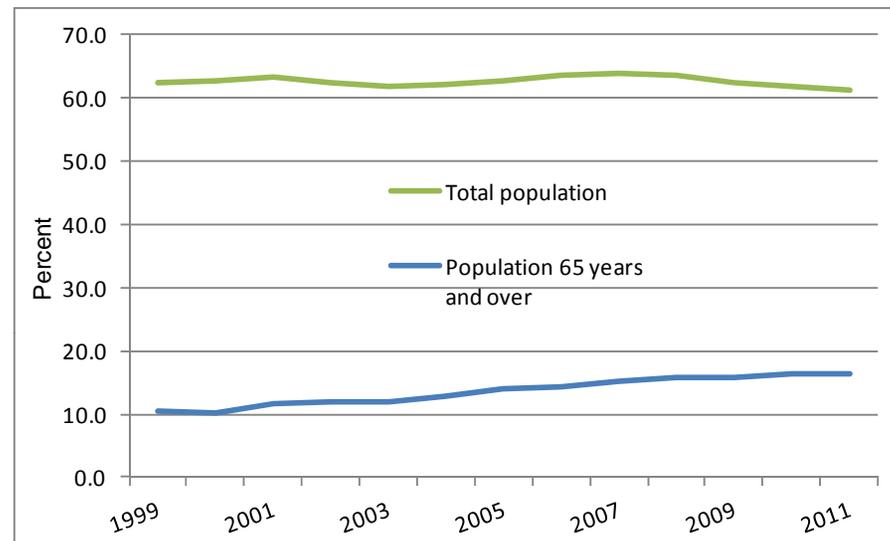
The increased cost of government services (due to higher prices and larger caseloads) and suppressed economic growth will make budget gaps worsen (diminished revenues and higher costs for the same services and more services being demanded). This situation will be exacerbated by the fact that retirees tend to spend more on services and less on taxable goods.

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 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, meaning jobs will be readily available for this population.



Florida Labor Force Participation Rates



- Older workers are staying in the workforce longer. Participation rates for older workers have increased from 10.3% in 2000 to a high of 16.5% in 2010, while the participation rates of all workers fluctuated between 61.7 and 63.8 during that time period.
- The Great Recession, which reduced the value of retiree savings and home values, is contributing to this trend and partially masking the labor force changes still to come.



More Ramifications

- Labor force contraction could significantly depress economic output and boost inflation as wages increase to attract skilled-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).



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.
 - As of April 2012, 53% of American adults age 65 and older used the internet or email. This is the first time that half of seniors reported consistently using online tools.
 - Less reliance on physical space in the future
 - Fewer employees as the use of technology increases



Health Care

- About one-fourth of Florida residents age 65 and over live alone.
- About one-third of Florida residents age 65 years and older have a Census-defined disability.
- Today, elderly and disabled Medicaid recipients account for an estimated 31% of the total caseload -- but almost 60% 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.
 - An increasing array of new services, procedures and drugs prolong life – but also the potential for chronic problems.
 - The number of available family caregivers will diminish in relation to the number who need care.



Transportation

- In order to accommodate the transportation needs of the elderly, new programs will have to be developed:
 - Options that offer dignified transportation for the elderly
 - Providing more public transportation for the elderly and for caregivers
 - Providing more private sector transportation from businesses that serve the elderly
 - Mass transit options that are accessible
 - Improved signage and reduced need for night driving



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.
 - As of June 30, 2011, there were 17,492 elderly inmates (age 50 or older) in prison, which represented 17.1% of the total inmate population.
 - 4.2% of Florida's inmate population was 60 or older, while 1.9% were 66 or older.
 - During FY 2010-11, there were 3,452 elderly inmate admissions.
 - During FY 2010-11, the oldest male inmate admitted was 85 and the oldest female admitted was 87.



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 ultimately 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.
- Services make up 66% of personal expenditures.



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 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 for the Future

- 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.
- Retaining Florida graduates as part of the state's workforce.
 - 2009-10 Graduates with Florida Employment One Year Later: Bachelors at 61%; Masters at 59%
- Fostering the development and application of:
 - Age-sensitive technologies.
 - Productivity-enhancing skills and technologies.
 - Affordable health care services over the entire spectrum of retirement.



Today, Economy Is Slowly Recovering

Florida growth rates are gradually returning to more typical levels. But, drags are more persistent than past events, and it will take several years to climb completely out of the hole left by the recession. Overall...

- The national economy is still in recovery. While most areas of commercial and consumer credit are strengthening – residential credit still remains sluggish and difficult for consumers to access. So far, the recovery has been roughly half as strong as the average gain of 9.8% over the same period during the past seven recoveries.
- The subsequent turnaround in Florida housing will be led by:
 - Low home prices that begin to attract buyers and clear the inventory.
 - Long-run sustainable demand caused by continued population growth and household formation.
 - Florida's unique demographics and the aging of the baby-boom generation (2011 marks the first wave of boomers hitting retirement).

Eurozone Problems Still Persist

- The sovereign debt crisis in the Eurozone has led to banking instability with spillover effects on the global credit market: threats of even greater problems have reignited.
 - Spain, Portugal and Italy all still face major challenges and contracting economies.
 - Greece's repeat national election is being interpreted as a referendum on the country's membership in the European Union by the other participating countries. Some Greece officials had wanted it to be a referendum on the austerity measures and other conditions of the latest bailout.
 - Moody's compares economic conditions in Greece to the Great Depression in the US during the 1930s.
 - International Monetary Fund (IMF) and the United States have warned that the Eurozone needs a larger bail-out fund (a "larger firewall") to prevent the crisis from spreading. Germany has resisted this move.
 - The region's banks still need to be recapitalized (especially in Spain) with significant improvement required by summer.
- The latest data shows that while the Eurozone as a whole contracted during the fourth quarter of the last calendar year, growth remained flat in the first quarter of this calendar year after an unexpectedly strong German showing. The latest data indicate that the Eurozone is at strong risk for another deep recession.
- These conditions are negatively affecting the United States:
 - Tighter credit conditions already exist, especially for businesses with foreign interests.
 - Reduced exports and corporate earnings already exist. The Greater Miami area is experiencing a significant reduction in exports to Spain (Florida exports to Spain fell nearly 30% last year).

Other Risks to the Forecast

- As a result of the Supercommittee's failure, automatic spending cuts are scheduled to kick in at the beginning of 2013. Referred to as the Automatic Sequester, this is the enforcement mechanism used to ensure an additional \$1.2 trillion in spending reductions —falling equally on defense and non-defense spending. Further details likely unknown until after the 2012 Election.
- In Federal Fiscal Year 2010, 8,101 Florida businesses received nearly \$18.5 billion in federal contracts. The vast majority of this money was defense-related. In this regard, defense agencies accounted for 71.3 percent of the total procurement contracts awarded to Florida in that year.
- The House Budget Resolution for 2013 proposes to eliminate sequester through the reconciliation process. They did this by replacing the automatic sequestration and protecting the defense budget with cuts of about \$300 billion from mandatory spending programs (including food stamps and health insurance subsidies). Unlikely to agree to this plan, the President's budget proposed to reverse the sequester through other deficit reduction proposals. The Senate has been silent.



General Revenue Forecast

Monthly Results	January	February	March	April
Monthly Overage (Millions)	19.2	56.4	76.5	51.4
Year to Date Overage (Millions–Cumulative)	18.2	74.6	151.1	202.4
Percent of Monthly Estimate Collected	100.9%	103.3%	103.8%	102.1%
Percent of Year to Date Estimate Collected	100.1%	100.5%	100.9%	101.1%

Fiscal Year	Oct Forecast	January Forecast	Difference (Jan - Oct)	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	21523.1				2.4%
2010-11	22551.6				4.8%
2011-12	23195.5	23241.5	46.0	689.9	3.1%
2012-13	24526.8	24506.9	(19.9)	1265.4	5.4%
2013-14	26071.8	26117.6	45.8	1610.7	6.6%
2014-15	27417.9	27580.8	162.9	1463.2	5.6%
2015-16	28838.6	28901.3	62.7	1320.5	4.8%