

***The Role of a Project Manager
During Economic & Political
Transition***

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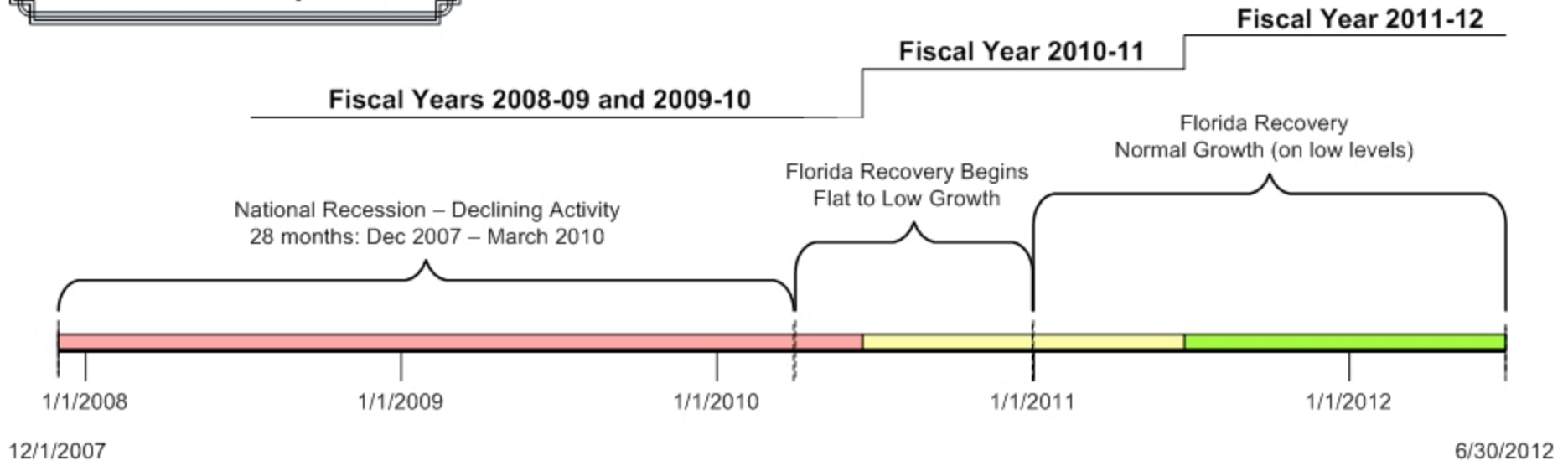
US and Florida Economy

*Florida Will Lag the National Recovery and Experience Only
Modest Growth Beginning in January 2011*

1. The U.S. economy is currently in the **21st month of a forecasted 28-month** recession. The previous longest recession since the Great Depression totaled 16 months, making this recession the worst in modern times by 12 months. The national recession is expected to end in **March of 2010 (7 months)**.
2. The Florida economy will **lag the national recovery by three quarters (9 months)**; not showing an economic upturn until the beginning of the 3rd. quarter of FY10-11.
3. Through FY 2009-10, Florida's economy will experience zero population growth; personal income and employment will continue to decline; unemployment will peak at 11.0% in the third quarter of FY 10-11; and housing starts will continue to decline through this fiscal year.
4. Florida's **recovery will begin January of 2011**, but will be relatively flat. Population will still show virtually no growth; personal income growth will be weak; employment growth weak; unemployment high; and housing starts will turn positive.
5. Normal economic growth for Florida should begin in a little more than **16 months**.

Florida Recovery Timeline

Summer 2009 Projections



Fiscal Years 2008-09 and 2009-10

- National GDP has negative growth of -1.7%.
- National consumer price index is flat.
- National consumer spending is flat.
- Standard & Poor's Index is negative.
- Florida has virtually zero population growth.
- Florida personal income declines.
- Florida employment declines.
- Florida unemployment rate peaks at 10.9%.
- 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 still 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.

**HISTORY OF 13 RECESSIONS
SINCE THE GREAT DEPRESSION**

| | | Contraction Peak To Trough | |
|--------------------------------|--|-------------------------------|--------------------------|
| Aug 1929 - Mar 1933 | | 43m | Great Depression |
| 1. May 1937 - Jun 1938 | | 13m | |
| 2. Feb 1945 - Oct 1945 | | 8m | |
| 3. Nov 1948 - Oct 1949 | | 11m | |
| 4. Jly 1953 - May 1954 | | 10m | |
| 5. Aug 1957 - Apr 1958 | | 8m | |
| 6. Apr 1960 - Feb 1961 | | 10m | |
| 7. Dec 1969 - Nov 1970 | | 11m | |
| 8. Nov 1973 - Mar 1975 | | 16m | Longest Recession |
| 9. Jan 1980 - Jly 1980 | | 6m | |
| 10. Jly 1981 - Nov 1982 | | 16m | Longest Recession |
| 11. Jly 1990 - Mar 1991 | | 8m | |
| 12. Mar 2001 - Nov 2001 | | 8m | |
| 13. Dec 2007 - Mar 2010 | | 28m | Current Recession |

Florida's Net Migration History 1950-2011

| Decades | Yearly Net Migration |
|----------------|----------------------|
| 1950 | 163,438 |
| 1960 | 136,933 |
| 1970 | 274,305 |
| 1980 | 273,829 |
| 1990 | 261,253 |
| 2000 | 235,090 |
| Average | 224,141 |

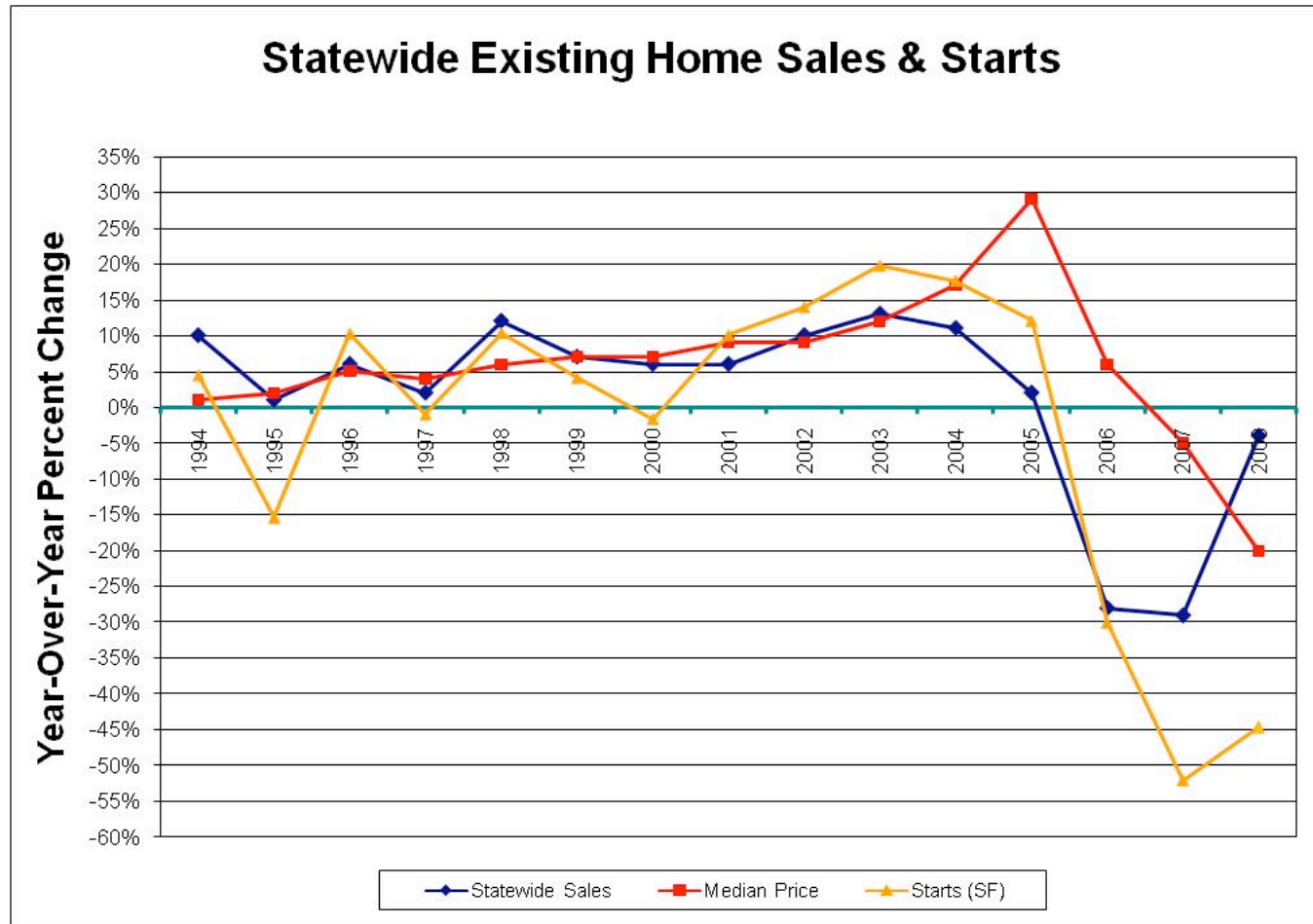
| Fiscal Year | Net Migration |
|-------------|-----------------|
| 2000-01 | 303,100 |
| 2001-02 | 310,700 |
| 2002-03 | 365,100 |
| 2003-04 | 395,000 |
| 2004-05 | 350,600 |
| 2005-06 | 364,000 |
| 2006-07 | 238,600 |
| 2007-08 | 31,900 |
| 2008-09 | (65,500) |
| 2009-10 | 11,500 |
| 2010-11 | 13,800 |

(1) From 1950 to 2010 net migration generated 1 million increase in Florida's population on average every 4 years.

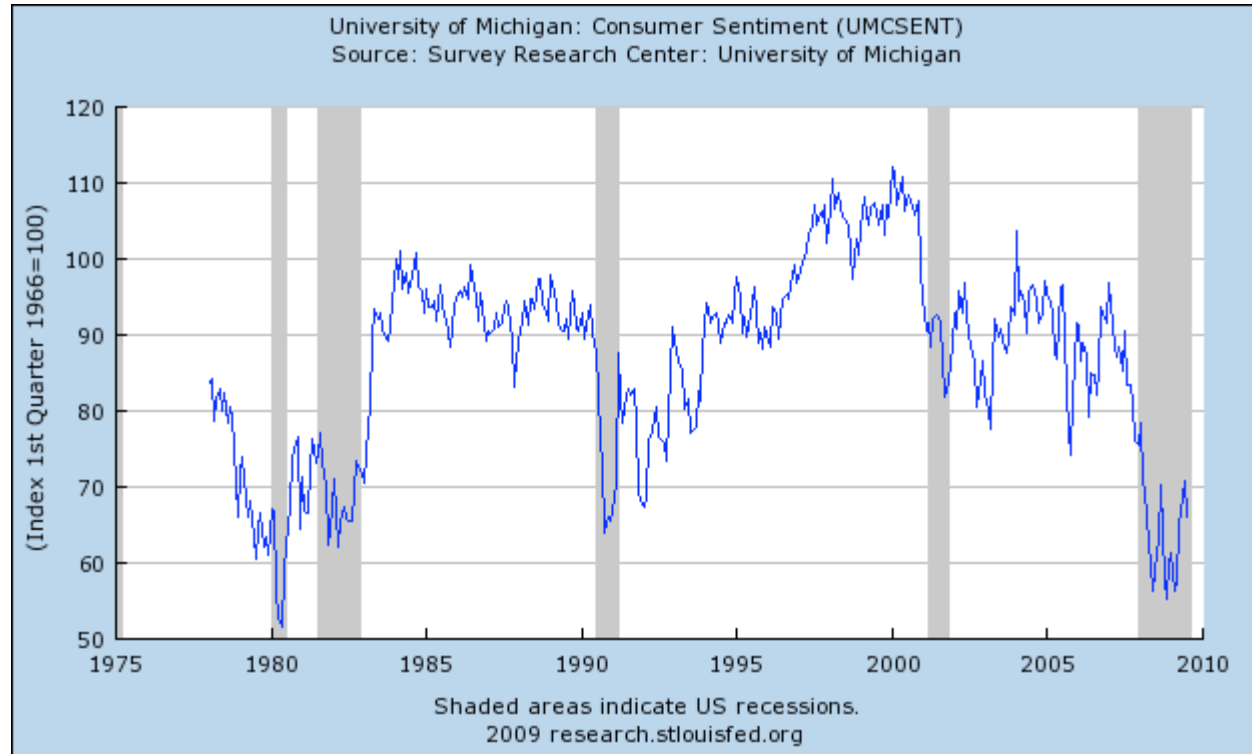
(2) In FY 2003-04 net migration was growing at a rate of 1 million increase in Florida's population every 2 years 7 months.

(3) In FY 2008-09 net migration in Florida declined by 65,000 individuals.

Florida Housing is Improving



Sentiment is Stabilizing



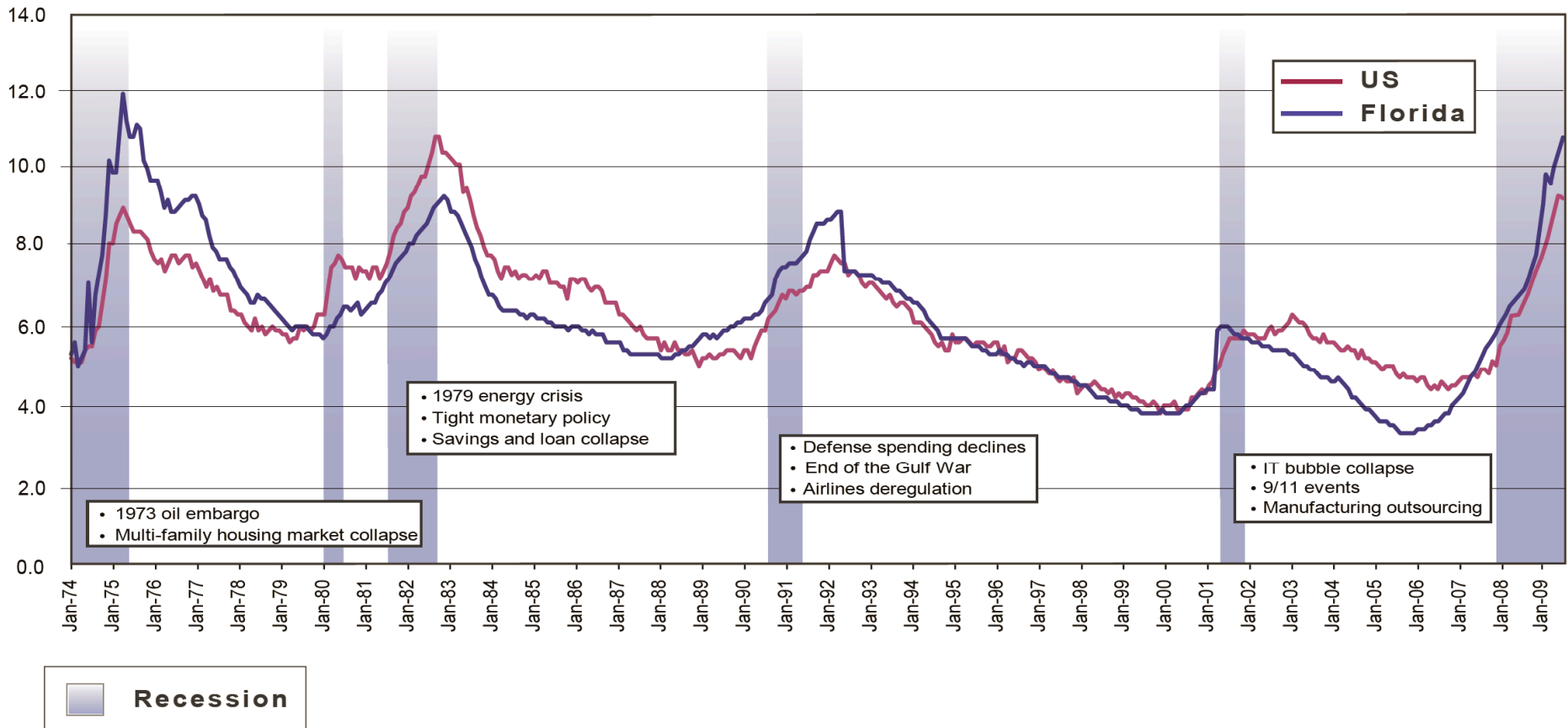
- Consumer sentiment can be a leading indicator of recession: nationally, it is improving from near the lowest levels ever obtained (66.0 in July versus 51.7 in May 1980), but still fluctuating.
- Florida's consumer confidence (July: 67 versus record low 59 thirteen months ago) is following the national trend.





Unemployment Rates

Florida and United States
January 1974 – June 2009
Seasonally Adjusted

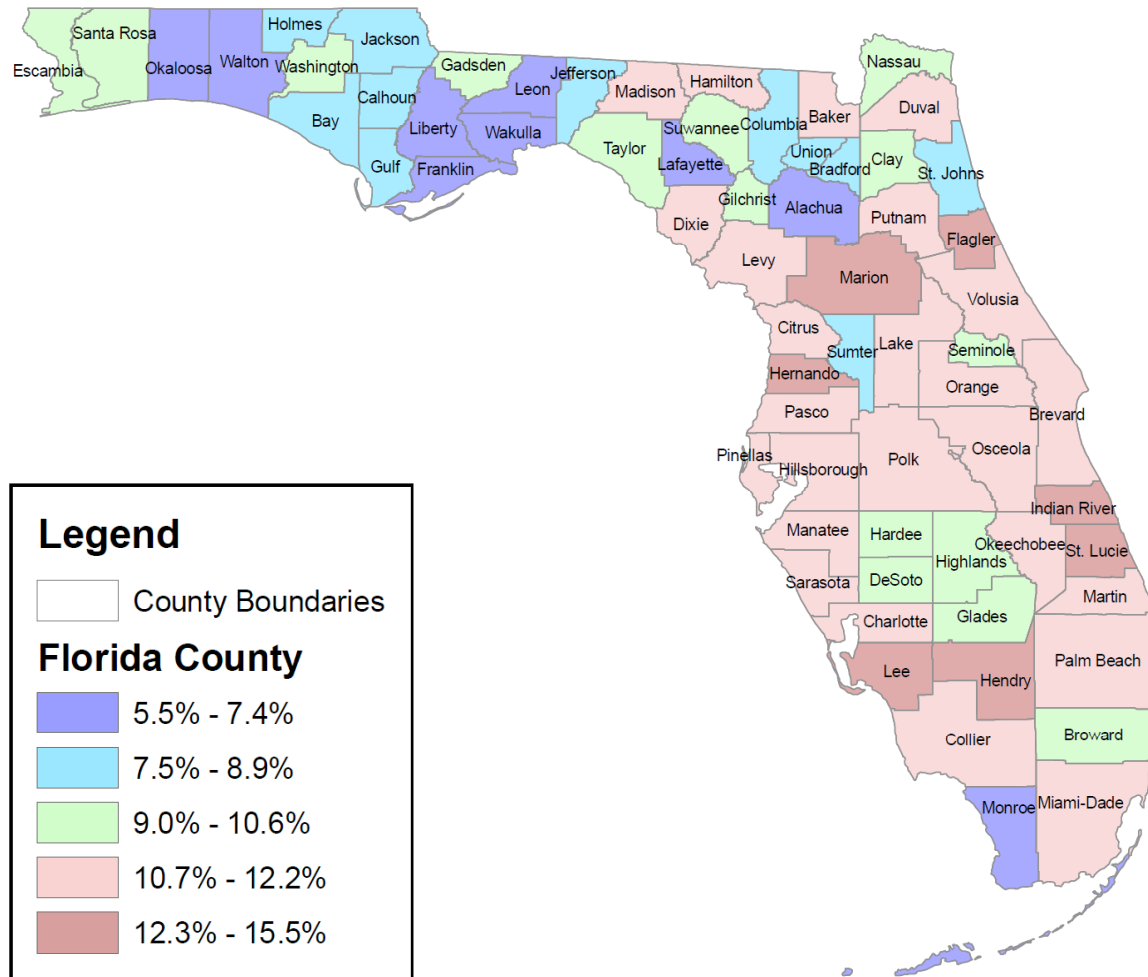


Source: Florida Agency for Workforce Innovation, Labor Market Statistics Center, Local Area Unemployment Statistics Program, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics, released July 17, 2009.



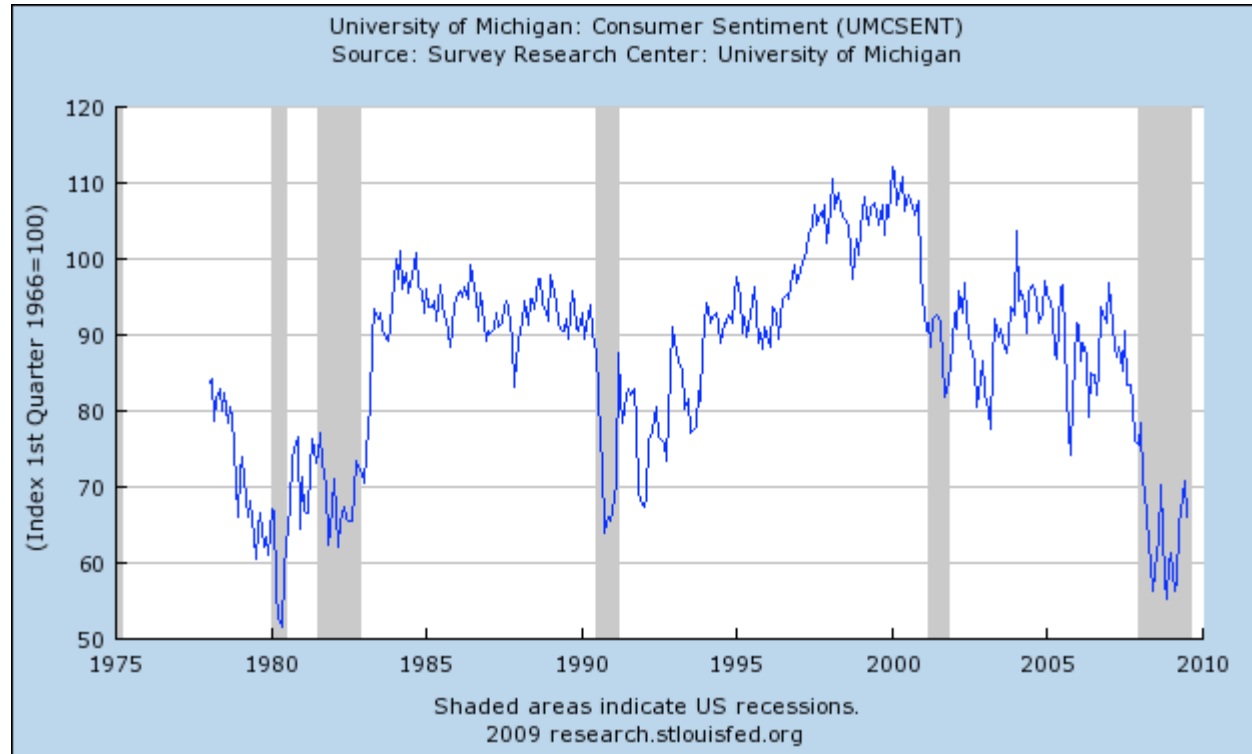
Florida Unemployment Rates by County

June 2009 (Not Seasonally Adjusted)



Source: Florida Agency for Workforce Innovation, Labor Market Statistics Center, Local Area Unemployment Statistics Program, released July 17, 2009.

Sentiment is Stabilizing



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***Florida Balances With Federal
Stimulus, Revenue Enhancements
And Trust Fund Sweeps***

*Florida's Use of Federal Stimulus, Revenue Enhancements,
and Trust Fund Sweeps Build a Bridge to the Recovery*

1. **Legislative Financial Plan** - In addressing the **\$6.1 billion deficit**, the Florida Legislature used **federal stimulus funds (\$3.2b)**, revenue enhancements (\$2.3b), and trust fund sweeps (\$.58b) to minimize deep budget cuts and build a bridge to recovery and rebuild reserves.
2. **Loss of Federal Stimulus Offset by Recovery** - The Florida Legislature used \$3.2b in non-recurring federal stimulus funds to help balance the FY 09-10 budget. In FY 11-12, when the stimulus program ends, **the official general revenue fund is projected to grow by \$3.0b, offsetting most of the loss in discretionary federal stimulus funds.**
3. **Rebuilding the Reserve** - As a contingency against further revenue shortfalls, the Legislature used trust fund sweeps, rainy day reserves, and unused general revenue to rebuild a **reserve of approximately \$1.0b (4%)**. No provisions have been made at this time to pay back the Chiles Endowment, the Sadowski Fund, or the rainy day reserve.
4. **Flat Funds Available for the Next Three Fiscal Years** - The legislative financial plan contemplates flat revenues for the next three years: FY 09-10 - (\$25.2b), FY 10-11 (\$25.5b), and FY 11-12 (\$24.9b). The revenues from the Indian Compact on casino gambling was not appropriated.
5. **No Growth Bridge** - The legislative financial plan currently contemplates **no growth in state government for the next three fiscal years**. Funding the growth in caseloads and entitlement programs will have to be addressed by budget reductions or additional revenue adjustments.

***General Revenue Continues To
Decline But Remains on Forecast***

General Revenue Recurring History

FY 1999-00 to FY 2012-13

| | Revenues | % | Appropriations | % | Expenditure | % |
|-----------------|-----------------|----------|-----------------------|----------|--------------------|----------|
| FY 99-00 actual | \$18,867.6 | | \$ 18,704.8 | 3.9% | \$ 17,711.9 | -1.3% |
| FY 00-01 actual | \$19,059.5 | 1.0% | \$ 20,049.6 | 7.2% | \$ 18,906.0 | 6.7% |
| FY 01-02 actual | \$19,083.9 | 0.1% | \$ 20,281.2 | 1.2% | \$ 18,605.7 | -1.6% |
| FY 02-03 actual | \$19,346.1 | 1.4% | \$ 20,005.0 | -1.4% | \$ 20,023.3 | 7.6% |
| FY 03-04 actual | \$21,527.5 | 11.3% | \$ 21,132.7 | 5.6% | \$ 21,017.4 | 5.0% |
| FY 04-05 actual | \$24,400.1 | 13.3% | \$ 22,577.4 | 6.8% | \$ 22,213.3 | 5.7% |
| FY 05-06 actual | \$26,562.9 | 8.9% | \$ 24,820.7 | 9.9% | \$ 23,700.4 | 6.7% |
| FY 06-07 actual | \$25,480.2 | -4.1% | \$ 26,644.6 | 7.3% | \$ 25,480.2 | 7.5% |
| FY 07-08 actual | \$24,159.4 | -5.2% | \$ 27,490.2 | 3.2% | \$ 25,737.0 | 1.0% |
| FY 08-09 est | \$20,948.5 | -13.3% | \$ 24,973.9 | -9.2% | \$ 23,200.2 | -9.9% |
| FY 09-10 est | \$20,879.6 | -0.3% | \$ 20,669.7 | -17.2% | \$ 20,669.7 | -10.9% |
| FY 10-11 est. | \$22,068.0 | 5.7% | | | | |
| FY 11-12 est. | \$23,906.6 | 8.3% | Forecast | | | |
| FY 12-13 est. | \$25,875.3 | 8.2% | | | | |

Components of Sales Tax

Fy 88-89 to Fy 12-13

| | Total | | Nondurables (Malls) | | Tourism & Rec | | Auto & Acc | | Other Durable | | Building Invest | | Business Investment | |
|--------------|-------------|-----------------|---------------------|-------|---------------|-------|--------------|--------|---------------|--------|-----------------|--------|---------------------|--------|
| | \$mil | % Chg | \$mil | % Chg | \$mil | % Chg | \$mil | % Chg | \$mil | % Chg | \$mil | % Chg | \$mil | % Chg |
| 1988- 89 | 7,633.3 | 18.7% | 2,334.9 | 19.5% | 1,512.7 | 21.7 | 1,377.8 | 16.1 | 503.8 | 16.30% | 582.5 | 21.6 | 1,321.7 | |
| 1989- 90 | 8,039.9 | 5.3% | 2,496.4 | 6.9% | 1,644.8 | 8.7% | 1,381.3 | 0.3% | 532.9 | 5.8% | 563.4 | -3.3% | 1,415.0 | 7.1% |
| 1990- 91 | 8,042.2 | 0.0% | 2,580.6 | 3.4% | 1,710.7 | 4.0% | 1,296.0 | -6.2% | 519.7 | -2.5% | 486.5 | -13.6% | 1,448.9 | 2.4% |
| 1991- 92 | 8,229.6 | 2.3% | 2,678.9 | 3.8% | 1,779.3 | 4.0% | 1,337.3 | 3.2% | 523.8 | 0.8% | 453.7 | -6.7% | 1,456.7 | 0.5% |
| 1992- 93 | 9,262.1 | 12.5% | 2,966.8 | 10.7% | 1,926.7 | 8.3% | 1,586.4 | 18.6% | 605.5 | 15.6% | 434.4 | -4.3% | 1,642.3 | 12.7% |
| 1993- 94 | 9,882.1 | 6.7% | 3,134.7 | 5.7% | 1,969.1 | 2.2% | 1,739.7 | 9.7% | 670.2 | 10.7% | 589.1 | 35.6% | 1,779.3 | 8.3% |
| 1994- 95 | 10,526.6 | 6.5% | 3,344.4 | 6.7% | 2,072.9 | 5.3% | 1,874.7 | 7.8% | 725.8 | 8.3% | 622.1 | 5.6% | 1,886.7 | 6.0% |
| 1995- 96 | 11,319.1 | 7.5% | 3,582.6 | 7.1% | 2,222.4 | 7.2% | 2,065.6 | 10.2% | 789.1 | 8.7% | 654.7 | 5.2% | 2,004.7 | 6.3% |
| 1996- 97 | 11,948.9 | 5.6% | 3,812.8 | 6.4% | 2,361.3 | 6.3% | 2,098.5 | 1.6% | 861.1 | 9.1% | 694.6 | 6.1% | 2,120.5 | 5.8% |
| 1997- 98 | 12,795.1 | 7.1% | 4,033.9 | 5.8% | 2,508.8 | 6.2% | 2,319.6 | 10.5% | 941.1 | 9.3% | 745.5 | 7.3% | 2,246.2 | 5.9% |
| 1998- 99 | 13,767.1 | 7.6% | 4,219.4 | 4.6% | 2,673.2 | 6.6% | 2,520.1 | 8.6% | 1,100.2 | 16.9% | 838.5 | 12.5% | 2,415.7 | 7.5% |
| 1999- 00 | 14,949.2 | 8.6% | 4,515.3 | 7.0% | 2,910.6 | 8.9% | 2,778.5 | 10.3% | 1,218.9 | 10.8% | 926.2 | 10.5% | 2,599.7 | 7.6% |
| 2000- 01 | 15,717.2 | 5.1% | 4,853.9 | 7.5% | 3,050.3 | 4.8% | 2,890.3 | 4.0% | 1,270.2 | 4.2% | 961.7 | 3.8% | 2,690.8 | 3.5% |
| 2001- 02 | 15,473.5 | -1.6% | 4,434.7 | -8.6% | 2,971.0 | -2.6% | 3,118.4 | 7.9% | 1,236.7 | -2.6% | 952.2 | -1.0% | 2,760.6 | 2.6% |
| 2002- 03 | 15,534.5 | 0.4% | 4,287.3 | -3.3% | 2,995.8 | 0.8% | 3,133.9 | 0.5% | 1,245.8 | 0.7% | 1,048.9 | 10.2% | 2,822.9 | 2.3% |
| 2003- 04 | 16,952.8 | 9.1% | 4,675.7 | 9.1% | 3,224.5 | 7.6% | 3,349.6 | 6.9% | 1,375.5 | 10.4% | 1,103.5 | 5.2% | 3,223.9 | 14.2% |
| 2004- 05 | 18,863.6 | 11.3% | 5,099.0 | 9.1% | 3,517.3 | 9.1% | 3,607.6 | 7.7% | 1,538.9 | 11.9% | 1,367.4 | 23.9% | 3,733.4 | 15.8% |
| 2005- 06 | 20,785.9 | 10.2% | 5,616.7 | 10.2% | 3,782.7 | 7.5% | 3,879.9 | 7.5% | 1,716.8 | 11.6% | 1,586.4 | 16.0% | 4,203.4 | 12.6% |
| 2006- 07 | 20,869.8 | 0.4% | 5,911.6 | 5.3% | 3,488.8 | -7.8% | 3,739.3 | -3.6% | 1,664.6 | -3.0% | 1,419.7 | -10.5% | 4,245.8 | 1.0% |
| 2007- 08 | 19,699.5 | -5.6% | 5,909.8 | 0.0% | 3,932.6 | 12.7% | 3,282.3 | -12.2% | 1,456.9 | -12.5% | 1,215.0 | -14.4% | 3,902.9 | -8.1% |
| 2008- 09 | 17,577.1 | -10.8% | 5,591.6 | -5.4% | 3,696.8 | -6.0% | 2,604.1 | -20.7% | 1,192.3 | -18.2% | 979.0 | -19.4% | 3,513.3 | -10.0% |
| 2009- 10 | 16,570.7 | -5.7% | 5,472.1 | -2.1% | 3,551.7 | -3.9% | 2,494.3 | -4.2% | 1,042.6 | -12.6% | 829.0 | -15.3% | 3,180.3 | -9.5% |
| 2010- 11 | 17,428.8 | 5.2% | 5,717.0 | 4.5% | 3,700.1 | 4.2% | 2,799.5 | 12.2% | 1,081.1 | 3.7% | 855.5 | 3.2% | 3,275.6 | 3.0% |
| 2011- 12 | 18,846.9 | 8.1% | 6,074.4 | 6.3% | 3,927.2 | 6.1% | 3,037.2 | 8.5% | 1,229.1 | 13.7% | 994.5 | 16.2% | 3,584.5 | 9.4% |
| 2012- 13 | 20,364.5 | 8.1% | 6,459.2 | 6.3% | 4,162.5 | 6.0% | 3,188.7 | 5.0% | 1,416.5 | 15.2% | 1,226.1 | 23.3% | 3,911.5 | 9.1% |
| Total | 100% | FY 09-10 | 33.0% | | 21.4% | | 15.1% | | 6.3% | | 5.0% | | 19.2% | |

Highlighted areas indicate year to year declines in categories

Certified School Taxable Values July 1 Amounts in \$ Millions

| | Taxable Value | \$\$ Change | % Change |
|----------------|----------------|----------------|----------|
| 2000-01 | \$ 730,003.2 | | |
| 2001-02 | \$ 805,056.9 | \$ 75,053.7 | 10.3% |
| 2002-03 | \$ 888,309.0 | \$ 83,252.1 | 10.3% |
| 2003-04 | \$ 989,453.5 | \$ 101,144.5 | 11.4% |
| 2004-05 | \$ 1,112,420.5 | \$ 122,967.0 | 12.4% |
| 2005-06 | \$ 1,317,737.5 | \$ 205,317.0 | 18.5% |
| 2006-07 | \$ 1,648,441.7 | \$ 330,704.2 | 25.1% |
| 2007-08 | \$ 1,824,905.7 | \$ 176,464.0 | 10.7% |
| 2008-09 | \$ 1,818,991.3 | \$ (5,914.4) | -0.3% |
| 2009-10 | \$ 1,622,946.1 | \$ (196,045.2) | -10.8% |
| 2010-11 | \$ 1,520,210.2 | \$ (102,735.9) | -6.3% |
| 2011-12 | \$ 1,537,830.8 | \$ 17,620.6 | 1.2% |
| 2012-13 | \$ 1,579,456.2 | \$ 41,625.4 | 2.7% |
| 2013-14 | \$ 1,635,808.8 | \$ 56,352.6 | 3.6% |

***Increases in Critical Budget
Needs Reduce Reserves in FY 09-10
And Create Budget Deficits in FY 10-11***

CRITICAL NEEDS LEAD TO BUDGET DEFICT

- **The official National and Florida economic forecasts are currently on track, with the recession ending followed by a prolonged sluggish recovery. Florida will lag the national recovery by three quarters.**
- **Revenue forecasts ended last year \$45.5 million over forecast. Increases in insurance premium tax and corporate tax were offset by decreases in sales tax.**
- **The general sense among Tallahassee economists is that revenues have hit rock bottom. Most economists in the capital believe we may beat the estimate for much of this fiscal year.**
- **While revenue estimates are on track, growth increases in critical budget needs have turned a potential budget surplus (\$1.4b) into a sizable \$1.1 billion deficit (5.4%).**
- **Critical budget needs include constitutional mandates, entitlements, debt service and budget annualizations. For FY10-11 the Legislature's three year outlook identified \$2.5b in critical needs:**
 - * **Medicaid (Growth & FMAP) - \$1,358.5m**
 - * **Public school loss of property tax - \$544.8m**
 - * **Pay annualizations - \$317.7m**
 - * **Other critical needs - \$288.4m**
- **If the legislature extends Meds AD and Medically Needy (\$250.2m) and funds public schools at historic increases (\$498.5m) the deficit will grow to \$1.9b (9.0%).**

*Increases in Critical Budget Needs Reduce Reserves in
FY 09-10 And Create Budget Deficits in FY 10-11*

1. The Legislative financial plan adjusted for June 2009 revisions by the revenue Estimating Conference contemplated **FY 09-10 reserves of \$1.0 billion (5%)** and **FY 10-11 recurring surplus of \$1.4 billion**.
2. The lengthening recession caused the Revenue Estimating Conference to reduce the FY 09-10 general revenue estimate and increase critical needs caseload by **\$284.7 million** for FY 09-10. **Medicaid accounted for \$224.8 million** of these critical needs and helped to reduced the current year reserve **\$656.3 million (3.2%)**.
3. The lengthening recession also reduced the FY 10-11 general revenue estimate and identified **\$2.5 billion in recurring critical needs**. These critical needs turned the \$1.4 billion surplus to a **\$1.1 billion deficit (-5.4%)**.
4. **Medicaid critical needs (\$1,358.5 million)** and **Public School class size and property tax Losses (\$554.8 million)** accounted for \$1,913.3 million of the \$2,519.2 million in critical needs.
5. The **FY 10-11 deficit increases to \$1.8 billion** if the legislature provides funding for **Meds AD and medically needy (\$250.2 million)** and historic public school increases (\$498.7 million).The Meds AD and **medically needy increases to \$518.8 million in FY 11-12**.

Key Budget Drivers....
Critical Needs

| | FY 2010-11 | | FY 2011-12 | |
|-----------------------------------------------------------------------------------------------------|-----------------|---------------|-----------------|---------------|
| | General Revenue | | General Revenue | |
| | Recurring | Non-Recurring | Recurring | Non-Recurring |
| Critical Needs Include: Annualizations, Entitlement Increases, & Constitutional Mandates | | | | |
| 1. Education - Property Tax, Class Size | \$ 554.8 | \$ - | \$ 10.5 | \$ - |
| 2. Education - Stimulus Restoration | \$ - | \$ - | \$ 1,216.9 | \$ - |
| 3. Medicaid - Caseload & FMAP | \$ 1,358.5 | \$ 250.2 | \$ 1,130.7 | \$ - |
| 4. Health & Human Services | \$ 80.0 | \$ - | \$ 31.2 | \$ - |
| 5. Judiciary | \$ 62.0 | \$ - | \$ 27.0 | \$ - |
| 6. Criminal Justice & Corrections | \$ 132.8 | \$ 22.0 | \$ 131.1 | \$ 103.0 |
| 7. Adm. Funds - Pay Annualizations | \$ 317.7 | \$ - | \$ 132.6 | \$ - |
| 8. State Disasters | \$ - | \$ 9.8 | \$ - | \$ 9.1 |
| 9. General Government | \$ 13.4 | \$ 26.4 | \$ 4.0 | \$ 145.6 |
| Total Critical Needs | \$ 2,519.2 | \$ 308.4 | \$ 2,684.0 | \$ 257.7 |
| Does Not Include: | | | | |
| Meds AD and Medically Needy | \$ 250.2 | | \$ 582.8 | |
| Historic FEFP Base Adjustments | \$ 498.5 | | \$ 516.6 | |
| | \$ 748.7 | | \$ 1,099.4 | |

Critical Needs Lead to Budget Deficit

| GR Adjusted for Critical Needs | June Estimate FY 2010-11 | August Revision FY 2010-11 | |
|---------------------------------------|-----------------------------------------|-------------------------------------------|--------------|
| 1. Recurring General Revenue | \$ 22,112.2 | \$ 22,068.0 | |
| 2. Recurring Expenditure Base | \$ (20,669.7) | \$ (20,669.7) | |
| 3. Critical Needs - Medicaid | | \$ (1,358.5) | |
| 4. Critical Needs - Public Schools | | \$ (554.8) | |
| 5. Critical Needs - Annualized Pay | | \$ (317.7) | |
| 3. Critical Needs - Other | | \$ (288.2) | |
| Surplus/Deficit | \$ 1,442.5 | \$ (1,120.9) | -5.4% |
| | Surplus | Deficit | |

| High Priority Needs | | | |
|------------------------------|-----------------|---------------------|--------------|
| 4. Meds AD & Medically Needy | \$ (250.2) | \$ (250.2) | |
| 5. Historic FEFP Adjustments | \$ (498.5) | \$ (498.5) | |
| Surplus/Deficit | \$ 693.8 | \$ (1,869.6) | -9.0% |
| | Surplus | Deficit | |