

Emergent Design and Development, Inc.
Legislative Update
December 15, 2008

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Interim Committee Meetings – Week of December 15

The House and Senate will meet the week of December 15 to for budget hearings. The Senate was not scheduled to meet, but decided to meet on Wednesday and Thursday to begin discussing budget reductions for this current fiscal year. A special legislative session on the budget is expected in January.

Senate Special Meeting

The Full Senate met for a briefing on the budget and revenue projections. Here's the bad news.

- Unemployment rates are climbing – ranking (by county) from a low of 4.5% to a high of 13.0%
- Population growth is slowing – growth hovered between 2.0% and 2.6% from the mid 1990's to 2006, continuing to slow only reaching 0.7% in 2008.
- U.S. economy simultaneously buffeted by three major shocks: home prices have fallen across the nation for first time since the Great Depression (down 17% so far); financial markets are experiencing worst credit crunch since the late 1980s at best – maybe since the Great Depression; and U.S. recession is spreading globally, causing additional feedback loops.
- Florida has been particularly hit hard by two housing-related shocks: home prices and credit tightening.
- National inventory of homes is above 11 months.
- In Florida, excess supply of homes is likely greater than 300,000.
- Using most recent sales experience, Florida needs significant time to work off current excess of homes – January to March, 2010 is optimistic, and July to September 2010 is pessimistic forecast.
- Florida has 2nd highest number of foreclosure filings (54,324 in October) and 3rd highest foreclosure rate (1 in every 157 housing units).
- Recession is now reality and is longer than last two recessions – projected to last two more quarters.

- Florida will recover but revenue concerns are more persistent relative to some past events and economic strength will be slow to return; credit markets remain frozen; global recessionary conditions affect international migration, tourism and spending decisions, as well as exports; U.S. Consumers will be responding to massive wealth destruction and tighter credit conditions; and recovery in Florida housing market not anticipated until April 2010, at least.
- Five areas of concern: slower population growth; loss of wealth effect on declining home prices and portfolio/investment losses; growing home inventory; spreading credit crunch; and reality of national and global recession.

For the current fiscal year (2008-09), the current projected deficit is \$2.3 billion. Assuming the 4% holdback is enacted by the Legislature which accounts for approximately \$1 billion, an additional \$1.2 billion remains. This must be addressed now in order to balance the budget.

For the 2009-2010 Fiscal Year, the projected deficit is \$3.8 billion (this deficit is beyond any cuts that have been made this year).