

From Your Deputy Executive Director



*Matt
Puckett*

The State of Our State

National economists have confirmed that Florida is experiencing a recession that is outpacing all others throughout the entire nation. State revenues are down a whopping \$6 Billion since 2006, a slump attributed to the busted housing bubble, higher unemployment, and fewer new residents. Glimmers of hope sparkle off data showing that tourism is up from last year at this point, but let's be realistic, despite the government accounting technique of seasonally adjusting estimates—inflation has set into our fuel and food costs. These increases to travel expenses will keep many tourists closer to home for those all important summer getaways. It should be obvious to us all by now that near term chances of an economic recovery are slim for our state.

The good news is that our economists predict revenues to level off by 2010, which means we have at least two more years of declines (if this is the good news, then imagine what the bad sounds like). Hitting the bottom of this skid does little to solve Florida's economic woes though. Our economy is prone to major gyrations, or market corrections, in our revenue stream. In order to avoid a future crisis, similar to the current one, we must control our revenues by diversifying our economy beyond sales tax, tourism and agriculture. Let's face it—we simply will not thrive as a state if we continue to live under the feast or famine model.

To their credit, Legislators are on the right track to transform our economy by investing in industries at the forefront of bio-medical research, alternative energy and aerospace technology. Strategic public investments in these growth industries are designed to spread the revenue burdens by making Florida a global leader in these areas, which will hopefully attract more private investments, more industry and more people to the state. It is an attainable goal and our association has demonstrated a willingness to

work with business groups in order to help improve on the state's economic opportunities. Our support for the economic stimulus legislation (HB 1295 and SB 2310) that allows up to 1.5% of alternatives investments from the state pension fund to be used for investments to Florida businesses in certain high tech industries, such as aerospace technology, is proof we are partners in the state's transformation. (See page 15: "New Florida Law...")

On the other hand, our support is not a one way street. The law enforcement community is facing serious funding and manpower shortages that can only be solved by state level investment. First of all, Legislators have to understand that public safety is an elite profession. Position cuts to critical personnel and continuing to ignore the low salaries our officers in the profession earn is only diminishing the legacy of the profession and jeopardizing the public's safety. An unsafe environment is not an economically secure environment. Security and economic stability go hand and hand; therefore, the Legislature must invest in the public safety profession as vigorously as they invest in bio-medical research and aerospace technology.

The pillars of the investments in public safety are competitive salaries and secure pensions for the professionals doing the work. Our officers should never be forced to beg for salary increases year after year nor should they need to worry if they will have a pension after retirement. Yet these are the challenges our officers face in the current economic system. Reversing this dangerous course is the task of today's Legislators. We have consistently shown support for their solutions to the economic crisis, but we have not received full Legislative support in return for our crisis in public safety. It has to be a two way street.

Note: See related articles below and on page 15. ■

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Job Loss Signals A Florida Recession

By Scott Andron • May 16, 2008

Encouraged by some better-than-expected economic numbers this week, some experts started to question whether the nation is going into a recession after all.

Unfortunately, they aren't talking about us.

Economists are in rare agreement on this much: Florida is worse off than the rest of the nation.

"Florida definitely has been hit much harder by the housing decline," said Lynn Reaser, an economist with Bank of America.

"Florida is clearly in recession," said Mark Vitner, an economist at Wachovia.

"The question for me is not whether we'll have a recession, but how severe it will be," said David Denslow, an economist at the University of Florida.

The latest unemployment report Friday bolsters the view. The Miami-Fort Lauderdale metropolitan area was down 15,200 non-agriculture jobs for the year. The statewide loss was 64,500.

A major factor behind the economic slowdown in South Florida is the housing market, which has only just begun to sort itself out.

Home prices in our area were down 21.7 percent in February compared to the same time last year, according to the Case-Schiller Home Prices Indices. Only Las Vegas showed a larger annual drop.

MANY FORECLOSURES

And RealtyTrac this week reported that Florida had the nation's fourth-highest state foreclosure rate in April, with one in every 242 households receiving a foreclosure notice.

The state ranked second in the nation for total foreclosures filed, with 35,264. Miami-Dade saw a record 4,478 foreclosures filed in April. Broward's foreclosure rate ranked 10th in the nation, according to RealtyTrac.

Meanwhile, despite falling prices, a recent Chamber of Commerce study found 85 percent of Miamians still can't afford to buy a house.

Thousands of homes and condos are empty, and some condo associations are having financial trouble because so many residents aren't paying their maintenance fees. Meanwhile, thousands more condos are still under construction, threatening to push prices lower when they're complete.

That's not to say the sky is falling. There are some bright spots in the economic picture, such as South Florida exports and tourism. But the state and local economies may take longer to rebound than the nation's, especially for consumers and especially for the housing market.

Nationally, however, there was some speculation this week that things aren't as bad as we thought a month ago. Inflation figures and housing starts—again, nationally—came in better than expected.

And on Friday, Treasury Secretary Henry Paulson predicted the economy will be rebounding by the second half of this year. The stock markets closed up for the week.

But to consumers, all this uncertainty about the economy will seem like arguing about how many angels can dance on the head of a pin.

"It's really semantics," said Tony Villamil, president of the Washington Economics Group in Coral Gables. "What we're seeing here is a sharp decrease in economic activity... and one that's hitting the consumer in the pocketbook."

FEWER MOVING IN

Denslow said part of the problem is a recent drop in the number of newcomers moving to the state.

"The fundamental thing that's different for Florida is we depend on growth," Denslow said. "When that growth slows down, then we are more susceptible."

A recent UF study found that population growth is now the slowest it's been in decades, largely because so many people are fleeing the state's increasingly high home prices and cost of living.

Which brings us to the housing market.

Denslow said the housing bust has meant fewer construction jobs. It also has meant a tighter market for credit and greater caution for businesses that think about expanding. And the falling prices have reduced consumers' available lines of credit and made them nervous about spending. For families who bought at the top of the market, their biggest asset has lost much of its value.

"It's a little like Hurricane Andrew wiping out a lot of value, except without the insurance checks coming in," Denslow said.

EXPORTS STRONG

Among the positive signs, Vitner said, exports are rising even faster than housing prices have been falling, which is important to South Florida. Exports from the Miami Customs District were up almost 18 percent in the first quarter, according to WorldCity.

Tourism also is holding up well. The number of visitors to the state increased 3.4 percent in the first three months of 2008 compared to a year earlier, Visit Florida announced Thursday.

Consumers, meanwhile, are receiving their federal tax rebates faster than previously expected, and Vitner predicted that much of that money will be spent rather than used to pay down debt. That was what Congress was hoping for, because spending could help invigorate the economy.

All of which may be small comfort to consumers, at least for now.

"I just filled up my 26-gallon SUV today," said Dennis Toback, a middle-school science teacher from Cooper City. "It was over \$100. That used to be my gas bill for a month."

"If you're in a position where you can pass along these increases, like the trucking companies or the farmers, then you're not going to feel what's going on nearly as much as the consumer, who is trapped... and has nowhere to go."

The Associated Press contributed to this report.