



FLORIDA CENTER FOR FISCAL AND ECONOMIC POLICY

July 2009

Annual Economic Review: Troubling Trends Threaten Florida's Well-Being

Executive Summary

In this first annual examination of key economic indicators, the Florida Center for Fiscal and Economic Policy offers an assessment of the state's well-being. The numbers add up to disturbing trends that threaten the well-being of the state and its people. Personal income, how that income is distributed through the workforce, the nature of jobs in the state, the level of spending by Florida government and the outcomes of that spending all paint a cloudy picture of the economic prospects of Florida and its people. Taken together, the data and trends raise the question of whether Florida is where it needs to be for the best interests of its people – and what can be done to improve the situation.

Major Findings

- Much of Florida's economic well-being over the past few decades was tied to growth in population. The state's population is now stagnant, however, and the proportion of children and youth – Florida's future work force – is declining.
- Florida's rate of growth in income per person has fallen to 45th in the country.
- The percentage of residents of Florida living in poverty has increased. About 180,000 more Floridians were living in poverty in 2007 than 2006. More than one out of every 10 people living in Florida receives food stamps.
- The gap between the wealthiest and the poorest in Florida is widening and the gap between the richest fifth of Floridians and the middle fifth is even more dramatic.

- The rate of growth in Florida’s gross state product – the value of goods and services we produce – has slowed over the past three years to where it ranks 47th in the nation.
- Florida’s unemployment rate is one of the highest in the country and exceeds 10%.
- Foreclosures in Florida quadrupled over the last three years.
- Almost half of the state’s jobs are compensated at less than 150% of the federal poverty level, indicating the difficulty workers face in supporting themselves and their families.
- Per capita state government spending in Florida is less than the national average and ranks 44th in the country.
- Florida spends a smaller share of its budget on elementary and secondary education and higher education than most states, and spends a greater share on corrections than all but two.
- The results of state spending are substandard, according to various measures:
 1. Florida’s high school graduation rate is 45th in the country.
 2. Florida’s health system is ranked 45th nationally.
 3. Tens of thousands of Florida’s elderly and disabled are on waitlists for services and generally wait years to gain access to programs they need.
 4. Waitlists for people with mental health and substance abuse needs are also prevalent and lengthy; 190,000 adults needing mental health services are not receiving them and 265,000 children with emotional and developmental needs are not receiving services they need.

Solving these challenges will take action and wise choices on both the spending and revenue sides of the Florida budget. Florida needs to adopt a balanced approach that continues to eliminate duplication and inefficiency and also reform its tax structure to modernize it, make it fairer and produce revenues adequate to meet needs.

Introduction

To know where you're going it's important to know where you are. In this first annual examination of key economic indicators, the Florida Center for Fiscal and Economic Policy offers an assessment of the state's well-being. Policy choices need to be based on what's really happening, and this snapshot of Florida's economic situation is aimed at helping guide a range of decisions that need to be made for the state to prosper and meet the needs of its people.

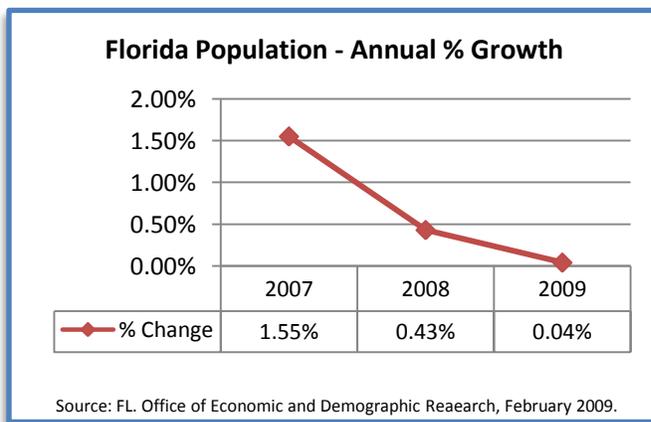
The research for this report is focused upon data that both influence and reflect the consequences of Florida's economy. Gross domestic product, personal income, job creation and occupational compensation levels, foreclosures, unemployment, and poverty: these are all indicators with serious implications for Floridians' quality of life and prospects for the future.

Indeed, the numbers add up to disturbing trends that threaten the well-being of the state and its people.

Of course, the economy of a state or a nation doesn't occur in isolation from government actions. Florida's revenues and its capability of providing crucial services are affected by economic factors. So too do government policies affect the economic condition. In that regard, this report addresses spending patterns as well as where Florida stands on significant measures of how effective government policies might be in areas like educational attainment, the health status of our population, support of the vulnerable elderly and disabled and those with mental health and/or substance abuse issues. Taken together, the data and trends raise the question of whether Florida is where it needs to be for the best interests of its people – and what can be done to improve the well-being of Floridians.

Indicators of Florida's Economic Well-Being

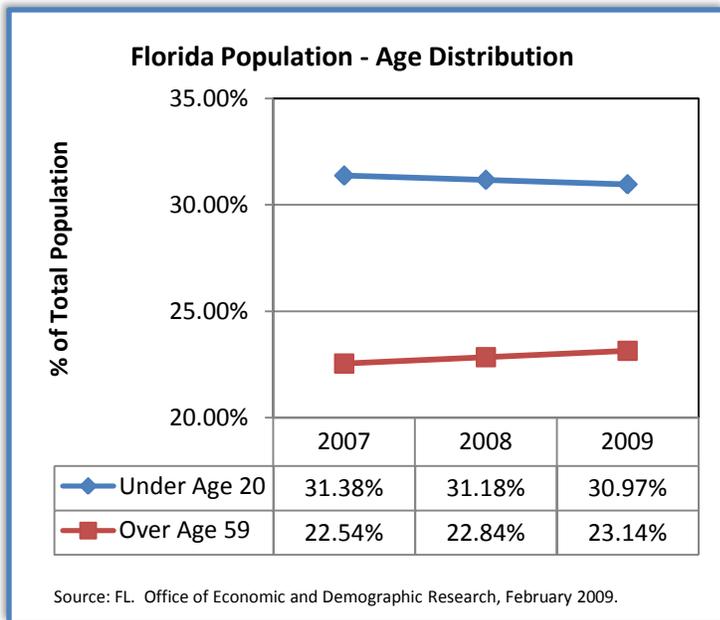
Population Growth Stalls



Population growth has been the fuel that powers Florida's economy. New construction to house people who moved here, along with expansion of businesses and the public services that residents need, have provided the foundation for economic activity in the state. In the past, population growth has averaged more than 2.5% per year, primarily because more people move into the state than moved out as opposed to birth and death trends. However, since Fiscal Year

2006-07 that growth has slowed to almost zero, as shown in the chart above. Net natural growth (births minus deaths) over the three-year period decreased slightly from 70,442 in 2006-07 to 68,927 in 2008-09, but of greater importance was the reversal in migration trends. In 2006-07, 216,344 more people moved in than moved out; but in 2008-09, 62,084 more moved out than moved in.¹

Demographic projections indicate that Florida’s population growth rate will not return to its historic rates for at least the next 20 years and that it will average less than 1.5% per year over the period.² This reduced growth will affect how Florida’s economy grows and correspondingly, how its residents prosper. After all, a 1% reduction in the growth rate in Florida equals almost 200,000 new people every year – people who won’t be buying houses or other products and services. Over five years, that’s 1 million fewer residents living, working, consuming and paying taxes in our state.



In addition to Florida’s slowing population growth, the population is aging. The chart to the left shows the population under the age of 20 declining as a percentage of all Floridians while the share of those over 59 is increasing.³ This shift from a younger to an older population affects the working age population (aged 20 – 60), which will decrease from 54% of the total population in 2009 to 46% in 2029.⁴ As with total growth, this reduced percentage of working-aged Floridians will have an effect on the economy, services required by residents and revenues

needed to pay for those services. Fewer people of working age means fewer people earning incomes and paying taxes to support state services.

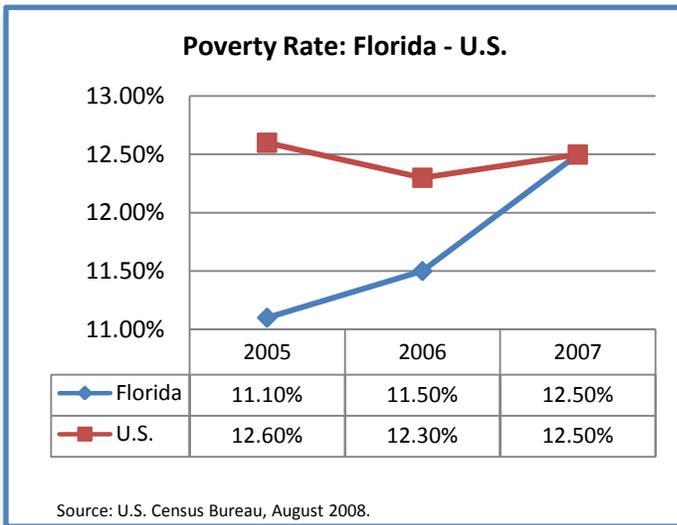
Troubling Income Trends

Per Capita Personal Income Ranking Declines – Add up all of the income made in Florida and divide it by the number of people in the state and you get per capita income. Florida’s personal income per capita increased each of the last three years, as did the national average. But behind that statistic lies a dangerous reality: Florida’s *rate* of income growth is declining. Per capita income in Florida was 19th in the nation in 2006 and fell to 21st

Per Capita Personal Income

Year	U.S	Florida	Florida Ranking
2006	\$36,794	\$37,099	19 th
2007	\$38,615	\$38,417	20 th
2008	\$39,751	\$39,070	21 st

two years later. In fact, in 2008 Florida's per capita personal income growth rate was just 1.7%, ranking it 45th in the nation.⁵



Poverty Continues to be a Stubborn Problem - In 1990, Florida's poverty rate was 12.7%; it declined slightly to 12.5% in 2000⁶ and improved further to 11.1% in 2005, well below the national average, as the chart to the left shows.⁷ Since then, Florida's poverty rate has climbed and now equals the national rate. The number of Floridians living in poverty increased by about 180,000 between 2006 and 2007.

Florida's increasing poverty rate is reflected in the growing number of

average monthly participants in the Supplemental Nutrition Assistance Program (formerly known as food stamps). In 2007, 1.2 million people living in Florida received food stamps, but by March 2009, the number had grown to almost 1.9 million. At this level, about one in every 10 people living in Florida receives food stamps.⁸

Income Inequality – The gap in income between the most affluent Floridians and those at the bottom rung of the economic ladder is among the biggest in the U.S. – and it is widening. The average income of the poorest fifth (those making under \$15,102 a year) of Florida families increased by 15.5%, while the income of the richest fifth (those making over \$94,887) grew by 37.9%.⁹ The gap between Florida's richest and poorest families is the 15th largest in the nation and the gap between the richest and the middle fifth is even more dramatic, at 7th largest.¹⁰ While those at the top prosper, others have a hard time making ends meet.

Harder to Earn a Living

Too Many Low-Wage Jobs - The national average annual earnings for all occupations was \$42,270 as of May 2008.¹¹ Florida's average was almost 10% less, at \$38,470. Compared to the U.S. data, Florida significantly trails the nation as a whole.

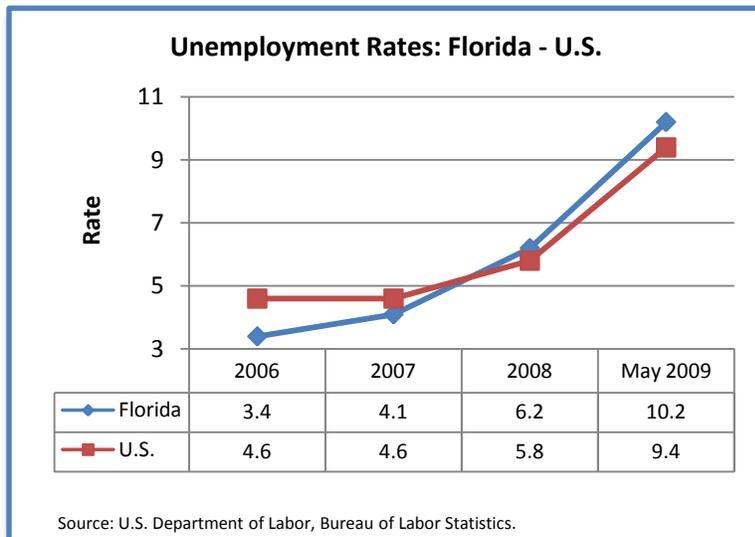
Many experts feel the federal government's calculations of what constitutes poverty are out of date in ways that underestimate what it takes to support a family. To better approximate a self-sufficiency level from employment earnings for Floridians, the Florida Center for Fiscal and Economic Policy compared the average annual earnings by occupation to an income that would be 150% of the 2008 U.S. poverty level guidelines. For a family of four that was only \$31,800 – a figure at which it would be very difficult to get by. The following table shows that of the

almost 7.8 million occupations in Florida in May 2008, almost 50% were paid less than 150% of federal poverty level.¹²

Florida Occupations that Pay Less than 150% of Poverty

Occupation	Total Jobs	Avg. Annual Earnings
Production occupations	324,110	\$20,050
Food preparation and serving related occupations	736,910	\$20,590
Farming, fishing, and forestry occupations	33,300	\$21,390
Building and grounds cleaning and maintenance occupations	305,310	\$22,630
Personal care and service occupations	210,100	\$23,510
Healthcare support occupations	212,990	\$25,760
Office and administrative support occupations	1,522,970	\$29,720
Transportation and material moving occupations	463,620	\$29,900
Total less than 150% of Poverty (\$31,800)	3,809,310	
Total All Occupations	7,771,740	\$38,470
Percent of total less than 150% of Poverty	49%	

Although many households in Florida have two wage-earners, for households with a single wage-earner, the possibility of living in poverty is a very real threat given the high proportion of jobs with wages so low.



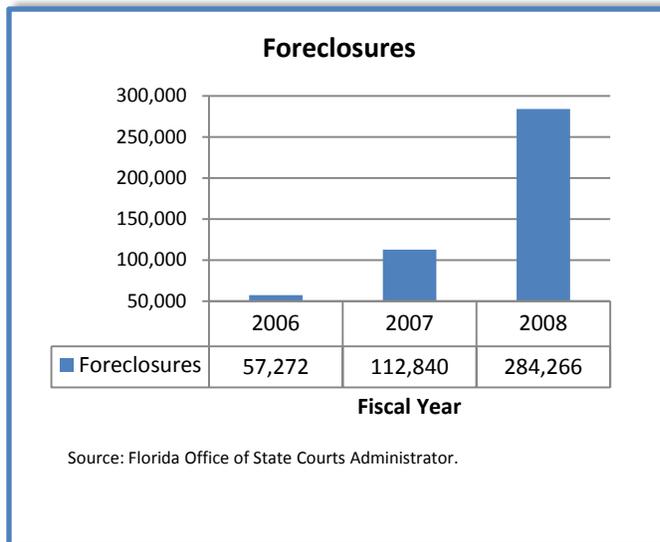
Unemployment Rate Spikes –

From a point in 2006 when it was below the national average, Florida’s annual unemployment rate has risen to where it now is above the U.S. average, as shown in the chart to the left.¹³ In May 2009, Florida’s 10.2% unemployment rate ranked 13th in the nation.¹⁴

As noted by the Wachovia Economics Group in its recent report on Florida’s economic outlook, Florida entered the

current recession nine months before the nation as a whole and the state’s unemployment rate may top out at around 11 percent before it improves.¹⁵ The report also notes that Florida’s

unemployment rate would be even higher if “...not for the significant out-migration of prime working-age adults...”¹⁶

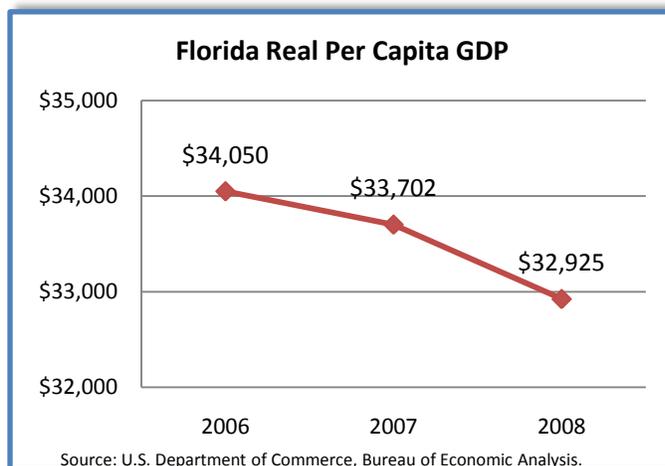


Current Recession Hits Florida

Homeowners Hard - Florida’s real estate market is past the “recession” level and could be considered in a “depression.” As indicated in the chart to the left, the number of Florida home foreclosures increased to 284,266 from 57,272 - almost 400% - between FY 2005-06 and FY 2007-08.¹⁷ And for just the first four months of 2009, new Florida foreclosure filings totaled 198,880.¹⁸

Gross Domestic Product Slows - A state’s Gross Domestic Product (GDP) is a good indicator of the vitality of a

state’s economy and the economic circumstance of its residents. GDP measures the total value of all goods and services produced in the state as measured by consumer, business, investment and government spending.¹⁹



Florida’s GDP, while increasing in total between 2006 and 2008 (in current dollars), declined as a percent of the total U.S. state GDP.²⁰ In real growth (adjusted for inflation), Florida now ranks 47th in the nation.²¹ Also, this decline is reflected in the real per capita GDP shown in the graph to the left. Declining real per capita GDP portends lower income for Florida’s businesses and workers.

Questionable Priorities and Poor Results

State government in Florida spends significantly less than the national average. Florida’s rate was \$3,633 per person in FY 2007 – 44th in the country. The average of all states was \$4,773.²²

The following table shows the percent of total state expenditures nationally and in Florida by selected functions for FY 2007.²³

**Percent of State Expenditures Nationally and In Florida, by Function
National Association of State Budget Officers, FY 2007**

	Elementary & Secondary Education	Higher Education	Public Assistance	Medicaid	Corrections
US Avg.	21.2%	10.5%	1.7%	21.2%	3.4%
Florida	19.7%	8.9%	0.2%	21.7%	4.4%

Only Michigan and Oregon spend a higher proportion of their state budget than Florida on corrections, while 24 states spend a greater share on elementary and secondary education and 33 spend more on higher education.

When local government revenue is added, Florida ranks 49th in the nation in per capita spending for *all* of education and 41st for K-12 schools.²⁴ Education Week magazine ranked Florida’s K-12 spending level in the “F” category in its “Quality Counts 2008” assessment of U.S. education.

On its face, low spending might or might not be a bad thing, but when correlated to where Florida stands on some key measures of progress it is clear that the state is underperforming and that spending priorities could be questioned.

Education

Florida ranks 45th among the states for its high school graduation rate.²⁵ Indicative of this finding is 2007 U.S. Census Bureau data that reports Florida ranks 33rd in the nation for the percent of people 25 years and over who have a high school diploma.²⁶

Health

The United Health Foundation, a nonprofit organization that publishes an analysis of America’s health rankings for 2008, listed Florida as 45th in the nation for 2008.²⁷ Key factors in determining the low ranking were Florida’s high incidence of infectious disease, second lowest percentage in the nation of persons with health insurance and high geographic disparity in health outcomes. The study reported that 31 states have lower infant mortality rates than Florida’s 7.2 per 1,000 births and 35 states have lower rates of low-birth weight babies.²⁸

Services for the Disabled and the Elderly

Tens of thousands of people with disabilities and the elderly are on waitlists for vital and critical services in Florida because they cannot be enrolled until additional funds are made available to pay for those services. Consequences from waiting for services often include deteriorating physical and mental health that results in crisis situations that have more costly human and

fiscal outcomes. Over 5,000 seniors languish on the waitlist for home-based services to avoid living in nursing homes. Another 1,493 await services from Home Care for the Elderly and 17,254 for the Community Care program.²⁹ Two waitlists exist for services for people with developmental disabilities – one with more than 18,000 people and another with about 6,000 people.³⁰

Services for People with Mental Illness and/or Substance Abuse Issues

State officials estimate that there are over 325,000 adults with severe and persistent mental illness in Florida, but limited funding supports the delivery of services to only 42% of the need. About 190,000 people do not receive the services they need. In addition, officials estimate there are over 200,000 children with emotional disturbances in need of mental health services, but do not receive them due to limited funding.³¹ The percent of children (2-17) with emotional, developmental or behavioral problems that received mental health care nationally in 2007 was 60%, but in Florida the situation was worse: only 52% received care. Only four other states had a lower rate of meeting the need for mental health and developmental services among children.³² Without proper care and needed services, these people are more likely to enter high-cost settings such as institutions and jails.

More than 17,000 people who need substance abuse services are currently on a waitlist.³³ Substance abuse is a contributing factor for 40% of the country's confirmed reports of child abuse.³⁴ Yet in Florida, less than one-half of the adults in Child Protective Supervision who have case plans requiring substance abuse treatment actually receive it.³⁵

Conclusion

Key indicators of the health of Florida's economy point to a state in trouble.

Of particular concern for the future will be the need to direct spending to the most important priorities of the state, such as investments in education that will strengthen the capacity of Florida residents to prosper in a different kind of economy, with the goal of producing higher-paid jobs. The traditional drivers of economic growth in Florida have weakened and in some cases there is no prospect for change in the near future. Population growth is not expected to match the historic post-World War II rate, providing less demand for new homes and other construction – demand that spurs economic activity. The huge supply of existing houses for sale will further depress construction and economic activity which, in turn, will dampen tax revenue collected by the state. As the recession wanes, tourism spending will begin to recover, and so will jobs in that sector of the economy. But most of those are of the low-wage service variety -- not the kind of higher-wage occupations around which to build a vibrant economy.

Creating an economy with better jobs in the future will be made more difficult against the backdrop of state funding in many areas that has long been inadequate and now is being

further cut as a national recession drives down the tax revenues needed to pay for government services.

Solving these challenges will take action and wise choices on both the spending and revenue sides of the Florida state budget. Of particular importance is the need to undertake a balanced approach that eliminates inefficiencies and duplications in government and modernizes Florida's tax structure to make it fairer and produce revenues adequate to fund quality services. As Florida makes decisions about how much to spend, what to spend it on and how to raise the needed revenues, the economic realities detailed in this report need to be kept uppermost in the minds of policymakers. There can be robust debate over what to do as a result of these numbers, but the numbers themselves are indisputably clear. They show a state where big changes are needed.

Endnotes

¹ The Florida Legislature Office of Economic and Demographic Research, Florida Demographic Estimating Conference, February 18, 2009.

² Ibid.

³ The Florida Legislature Office of Economic and Demographic Research, Florida Demographic Estimating Conference, February 2008 and the Florida Demographic Database August 2008.

⁴ Ibid.

⁵ Florida Legislature Office of Economic and Demographic Research, "Florida: An Economic Overview" May 18, 2009.

⁶ Florida Legislature Office of Economic and Demographic Research, "Poverty in Florida" October 2002.

⁷ U.S. Census Bureau, Housing and Household Economic Statistics Division, Table 19, August 26, 2008.

⁸ Ibid.

⁹ Center on Budget and Policy Priorities and Economic Policy Institute, "Pulling Apart: A State by State Analysis of Income Trends" 2008.

¹⁰ Ibid.

¹¹ U.S. Department of Labor, Bureau of Labor Statistics, Occupational Employment Statistics, "May 2008 State Occupational Employment and Wage Estimates – Florida" May 2009. These figures are derived from a survey of 22 occupational groupings. It includes all full- and part-time workers (7,771,740 workers) who were paid a wage or salary. It does not include the self-employed, owners and partners in unincorporated firms, household workers, or unpaid family workers.

¹² Ibid. (calculations by FCFEP).

¹³ U.S. Department of Labor, Bureau of Labor Statistics, "Over-the-Year Change in Unemployment Rates for States," 2006, 2007, 2008, and Florida Agency for Workforce Innovation, "Florida's April Employment Figures," May 22, 2009.

¹⁴ U.S. Department of Labor, Bureau of Labor Statistics, "Regional and State Employment and Unemployment Summary," June 19, 2009.

¹⁵ Wachovia Economics Group "Regional Economic Commentary – Florida Economic Outlook," Mark Vitner, Senior Economist and Yasmine Kamaruddin, Economic Analyst, June 11, 2009.

¹⁶ Ibid.

¹⁷ Florida Office of State Courts Administrator, Statistical Reference Guide years FY 2005-06, FY 2006-07 and FY 2007-08.

¹⁸ Florida Foreclosures – Trends and Information at RealtyTrac, April 2009. <http://www.realtytrac.com/states/Florida.html>

¹⁹ Note: Bureau of Economic Analysis, U.S. Department of Commerce defines state GDP as "...the value added in production by the labor and capital located in a state. GDP for a state is derived as the sum of the GDP originating in all industries in the state."

²⁰ Bureau of Economic Analysis, U.S. Department of Commerce "Gross Domestic Product by State"

²¹ Florida Legislature Office of Economic and Demographic Research, "Florida: An Economic Overview" May 18, 2009.

²² Kaiser State Health Facts, Total State Expenditures per capita, SFY 2007.

²³ National Association of State Budget Officers, 2007 State Expenditure Report. Selected governmental functions shown. Percentages do not add to 100%.

²⁴ State and Local Government Finances: 2004 – 2005, CQ Press, using data from the U.S. Bureau of Census; Rankings and Estimates, December 2007. National Education Association.

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- ²⁵ Education Week, Quality Counts, 2008
- ²⁶ U.S. Census Bureau 2007 American Community Survey 1-Year Estimates, R1501.
- ²⁷ Source: United Health Foundation, America's Health Rankings, 2008.
- ²⁸ The Annie E. Casey Foundation, 2008 Kids Count Data Book.
- ²⁹ Florida Department of Elder Affairs
- ³⁰ Agency for Persons with Disabilities
- ³¹ Florida Council for Community Mental Health
- ³² Kaiser State Health Facts.
- ³³ Florida Department of Children and Families, August 2008
- ³⁴ *Harm Reduction Journal*, 2004 1:5
- ³⁵ Florida Department of Children and Families, Performance Scores, (2005)

This report was researched and written by Mike Walsh and John Hall, with assistance from Alan Stonecipher. We thank Jon Shure, Deputy Director of the State Fiscal Project at the Center on Budget and Policy Priorities in Washington, D.C., for his assistance.