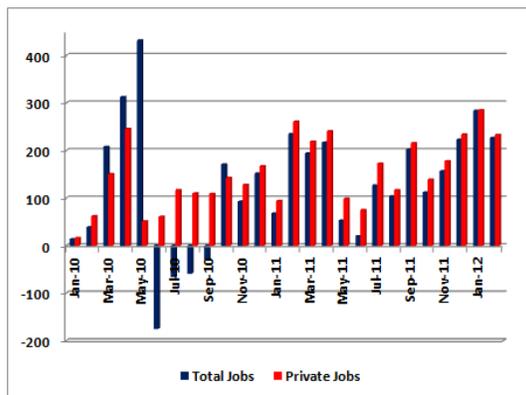




ECONOCAST UPDATE – March 12, 2012

U.S. Economy – Good Job Growth in February

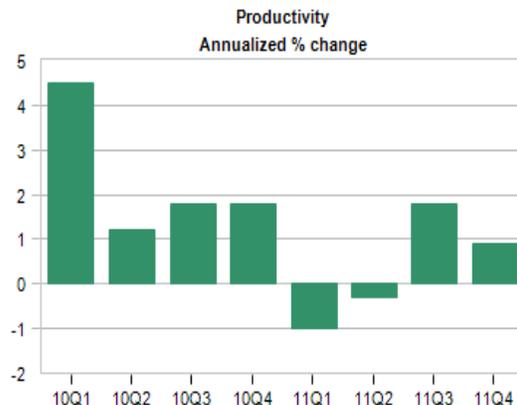
Job growth continued in February with private payrolls up 233,000. Importantly, the figures for December and January were revised higher with 223,000 net new jobs in December and 284,000 in January, for a total of 61,000.



Over the past three months job gains averaged 245,000 per month. This is more than enough to keep pace with growth in the working-age population, so the unemployment rate has declined by 0.4 percentage point since November. Although gains were not quite as strong as in January, this was because January's adjusted figures were inflated somewhat by the unusually warm winter. Therefore, the weaker job

gains in February should not be cause for concern. The strong increase in temporary jobs demonstrates that employers are more confident in the economy but are still a little hesitant given rising gasoline prices and the euro zone recession. It seems, however, that the economy will be able to weather these threats. Consider that rising gasoline prices did not dampen vehicle sales in February.

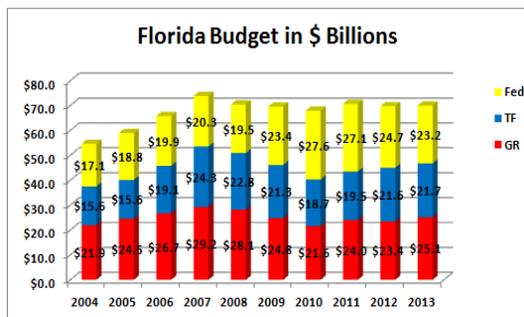
Consistent with improving job prospects, nonfarm business productivity was revised upward for the fourth quarter of 2011, to 0.9%. Slowing productivity will require employers to hire more workers to increase output since they cannot count on rapid gains in productivity at this stage in the business cycle.



Florida Economy: FY 2012/13 Legislative Session Ends

It was an eventful legislative session, but the legislature will come back into special session to resolve redistricting issues required by the rejection of the Senate's redistricting plan by Florida's Supreme Court.

The State's new \$70 billion budget is essentially the same total as it has been over the last three years. This year's version is funded by a 7% increase in general fund revenues largely from State sources offset by a 6% decline in federal funding.



The budget increases K-12 spending by \$840 million. This is a substantial increase, but it fails to make up for the \$2.4 billion cut last year. To fund this increase the Legislature cut \$300 million from higher education, \$340 million from Medicaid reimbursements to hospitals, and \$200 million in prison spending. The Legislature estimates that there will be 5,000 fewer State employees with 50% of the cuts in prison staff.

The Legislature also cut \$830 million in unemployment insurance taxes. Florida, like most states, exhausted its fund to pay unemployment compensation. When the money ran out during the Great Recession, Florida borrowed money from the federal government to keep the

payments flowing. Now the money must be repaid. Originally, Florida planned to pay it back fast with a large increase in the tax businesses pay from an average of \$72.10 per employee this year to \$171.70. The "cut" reduced this increase to \$121.60 per employee. Still this is a substantial benefit to the economy.

Florida's flawed "no fault" auto insurance program (Personal Injury Protection or "PIP") was reformed. PIP pays up to \$10,000 to a party injured in an auto accident to pay for medical costs and lost wages regardless of fault. The system became riddled with fraud, and the reforms may reduce these costs and lower rates, or at least stop them from rising so fast. The Legislature also increased funding for Visit Florida's tourism promotion efforts to \$54 million, a 50% increase. In addition, a \$120 million economic incentive program passed, much of this will be used to exempt the first \$50,000 of a company's profit from the state's corporate income tax.

As usual, the budget included a substantial volume of traditional earmarks tied to districts where the most powerful legislators reside. These include \$2.5 million is marked for a historic preservation project and another \$3.4 million to help a local hospital in St. Augustine. In Orange County, home to House Speaker Dean Cannon, \$5 million is budgeted for a "Central Life Sciences Incubator" and another \$1.1 million for improvements at a small airport. And in Brevard County, home to Senate President Mike Haridopolos, more than \$10 million is slated to help a new "economic development commission."