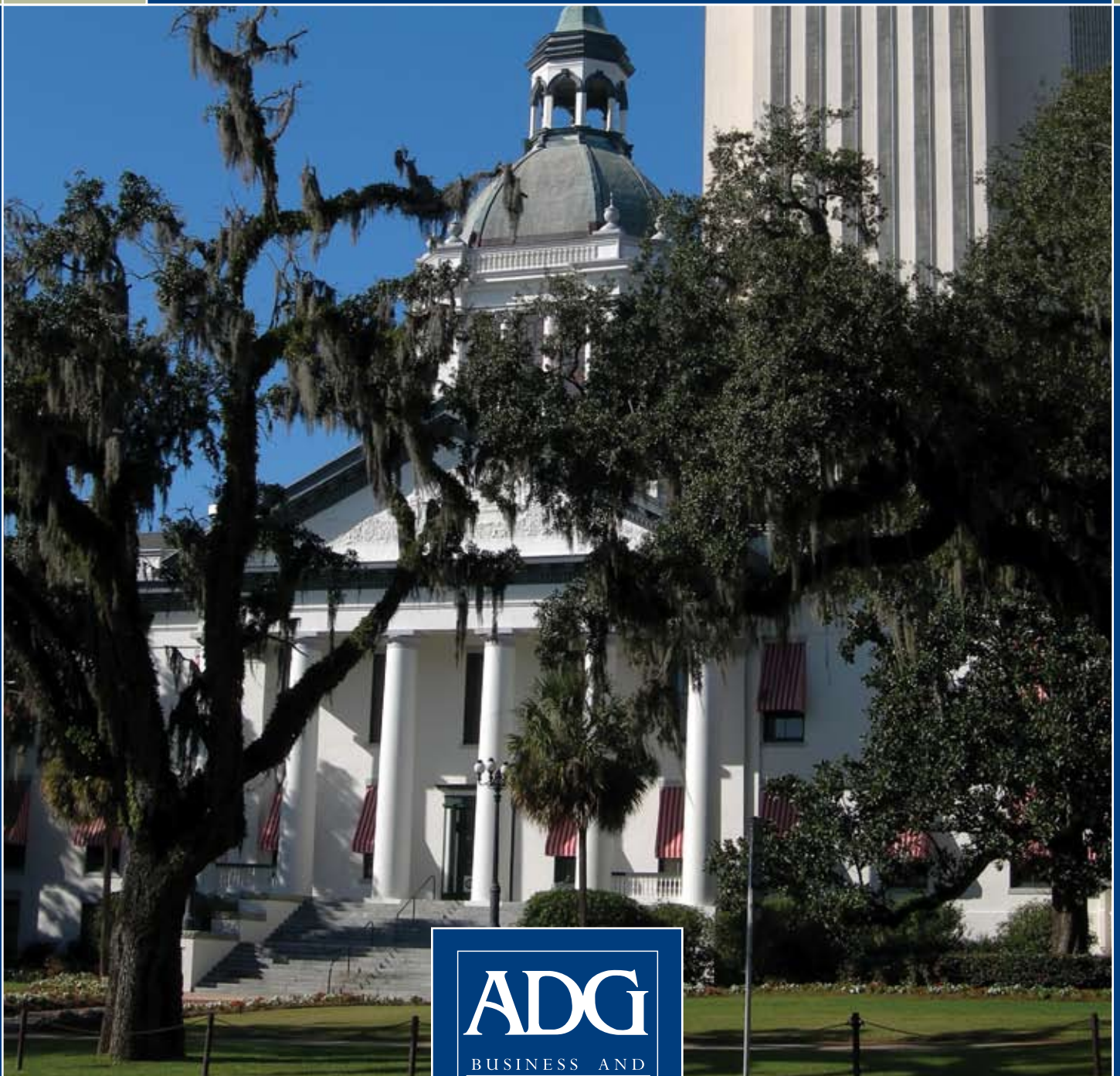


2009
Fall

Florida

Business and Political Climate



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BUSINESS AND
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CONSULTANTS

Business Climate

Florida's Economy



The State of Florida is home to the fourth largest economy in the United States (U.S.), and is famously known as “The Gateway to The Americas” due to its unique trading position in relation to other Western Hemisphere countries. Characteristic of this fact, Florida maintains fourteen deep water ports and expedites a large portion of import and export trade for the U.S. In terms of GDP, Florida ranks as the 20th largest economy in the world. However, the current global economic decline has had a negative impact on GDP relative to other states.

Florida's tremendous economic growth during the past several decades was largely a function of an explosion in population growth. From 1990 through 2007, Florida experienced a 41% increase in population growth. Florida's economic and population boom of the 1990's and early- to mid- 2000's is over, however. Population forecasts in 2009 revealed the state had a net loss of over 58,000 between April 2008 and April 2009, a trend unprecedented since the mid-1940's.

While Florida has a stable and moderate business tax environment (6% sales tax, 5.5% corporate tax), it suffers from a reputation of having burdensome permitting processes. Additionally, highly localized environmental concerns and development requirements can prove to be barriers to business relocation and expansion. In addition to the regulatory environment, the oversupplies of housing and increasing unemployment have contributed significantly to a volatile business climate. The state's unemployment rate has continually increased since late 2006 and is projected to peak at over 10% this year.

According to the Tax Institute, a non-profit Washington think-tank, Florida ranks fifth overall in their index of business tax climates (unchanged from last year) and particularly benefits from its lack of a personal income tax. The Institute also noted that Florida is one of just four states to rank in the top half on all five tax-specific indices and treats all industries fairly.

A combination of property tax and property insurance issues have dominated public policy debates for the past three years and Florida's ability to sustain growth continues to be at the forefront of policy considerations. During the 2009 Regular Session, the Legislature embarked on the first major re-write of the state's growth management laws since 1985. The efficacy of the policies espoused in it will be gauged through its careful implementation, the reaction of local government and the state's ability to incent desired behaviors. Several cities and counties have already filed a lawsuit challenging the constitutionality of the statute. The outcome of Hometown Democracy, Amendment 4 on the 2010 ballot, will also play an integral role in shaping the direction of Florida's future growth.

The same international factors that make Florida a major transshipment point such as hemispheric trading partners, proximity to Latin American countries and unambiguous legal environment may contribute to the policy debates in Florida and the investments in infrastructure; such as ports, rails and roads needed to sustain the state's competitive advantage.

The federal stimulus act is also having a tremendous impact on Florida as the Executive Office of the Governor tries to maximize the flow of dollars to the state while investing for the future and revitalizing the state's communities. Concurrently, growth management, economic development and community revitalization will remain the focal point as the state tries to develop comprehensive policies to ensure a business friendly environment. The current global economy presents an opportunity for Florida to change its economic paradigm and align policies ranging from the education/workforce continuum, incenting targeted industries to augment private investment and addressing housing foreclosure and affordable housing needs.

Legislatively, poor economic conditions portend a creative and collaborative process in crafting provisions to restore a balanced and productive economy. Leadership will be charged with developing comprehensive policies that ensure a friendly business environment is created, balancing the need for short-term economic stimulation with long-term sustainability. The Senate created the Select Committee on Florida's Economy for the 2009 and 2010 Sessions, chaired by Senator Don Gaetz (R-Fort Walton Beach). The business community has actively collaborated with the Committee and responded favorably to the policy outcomes. After the shocks of the housing markets, national recession, credit crisis and global recession, Florida's commercial real estate is overbuilt and overleveraged which will negatively impact the business climate.

Business Activity in Florida

Indicator	Value	Period	Change from Previous Period	Annual Growth
Gross Domestic Product (billions)	\$729.3	Q3 2009	0.1%	-4.0%
Total Personal Income (billions)	\$701.346	Q1 2009	-0.9%	-1.2%
Index of Economic Activity	23,367.8	June 2009	4.7%	-8.6%
Statewide Sales Tax Receipts (millions)	\$1,341.4	July 2009	4.2%	-10.0%
Florida Consumer Confidence	70	August 2009	+3	+3
Economy.com Probability of Recession (percent)	34	August 2009	-9	N/A
Venture Capital (millions)	\$65.1	Q2 2009	17.4%	128.2%
Total Residential Building Permits Issued	3,026	July 2009	-15.9%	-38.1%
Tourists Visiting Florida (millions)	20.1	Q2 2009	n/a	-9.4%

Source: Enterprise Florida, Inc. as of 9-14-09
 Primary Data: Various standard published government and non-government sources

Florida's Labor Market

Indicator	Value	Period	Change from Previous Period	Annual Growth
Total Labor Force (thousands)	9,193	July 2009	-0.1%	-0.5%
Total Employment (thousands)	8,206	July 2009	-0.2%	-5.2%
Unemployed Floridians (thousands)	987	July 2009	0.7%	69.6%
Unemployment Rate	10.7%	July 2009	0.0%	+4.4%
Unemployment Insurance Claimants	105,903	August 2009	-20.3%	9.0%
Worker Adjustment and Retraining Notification (WARN) Notices	2,694	August 2009	106.4%	53.5%

Source: Enterprise Florida, Inc. as of 9-14-09
 Primary Data: Various standard published government and non-government sources

Florida's International Trade

Indicator	Value	Period	Change from Previous Period	Annual Growth
Total Merchandise Trade (billions)	\$24.1	Q2 2009	-0.6%	-28.6%
Merchandise Exports (billions)	\$14.3	Q2 2009	-1.6%	-22.2%
Merchandise Imports (billions)	\$9.9	Q2 2009	0.9%	-36.3%
Florida-Origin Exports (billions)	\$11.3	Q2 2009	-0.3%	-19.9%
Services Exports (billions)	\$6.8	Q2 2009	-1.1%	-11.2%

Source: Enterprise Florida, Inc. as of 9-14-09
 Primary Data: Various standard published government and non-government sources

Selected National Indicators (United States)

Indicator	Value	Period	Change from Previous Period	Annual Growth
Gross Domestic Product (billions)	\$14,143.3	Q2 2009	-1.0%	-3.9%
Total Employment (thousands)	139,649	August 2009	-0.3%	-3.9%
Unemployment Rate	9.7%	August 2009	+0.3%	+3.5%
Jobless Claims, last week of month (thousands)	570	August 2009	3.6%	26.4%
Job Cuts Announcements (Challenger Report)	76,456	August 2009	-21.5%	-13.8%
ISM Manufacturing Index	52.9	August 2009	+4.0	+3.0
ISM Non-Manufacturing Business Activity Index	48.4	August 2009	+2.0	-2.2

Source: Enterprise Florida, Inc. as of 9-14-09
 Primary Data: Various standard published government and non-government sources

Photo courtesy of Ray Stanyard



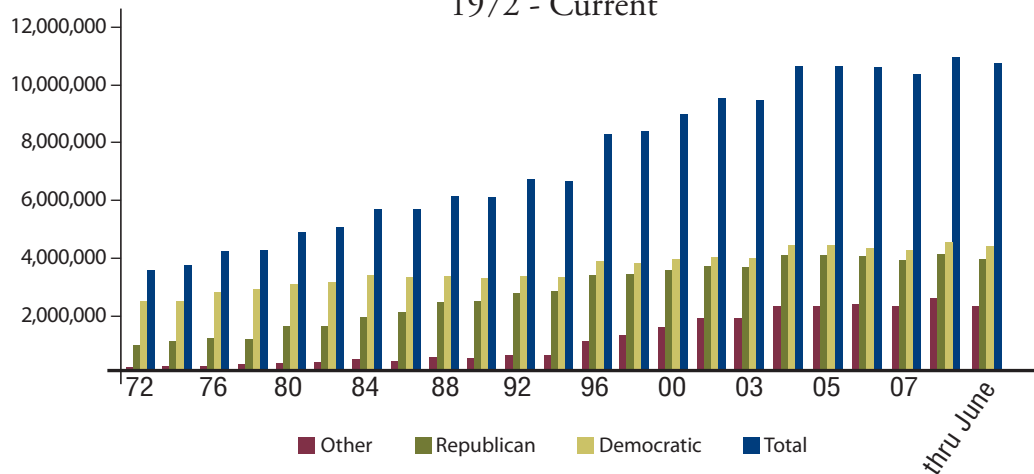
Political Climate

With the announcement of Governor Charlie Crist (R) following the 2009 Regular Session that he would be running for the U.S. Senate seat being vacated by Senator Mel Martinez (R), the political calculus in Florida became unwieldy as a series of office holders announced their intentions to seek other offices. This created open seats in all statewide races, the Florida Senate and the Florida House. It also had an effect on local government leadership throughout the state. The 2010 political cycle has started in Florida. There are several special elections between now and November 2, 2010. There are also Constitutional Amendments on the 2010 ballot which will impact the business community.

Senate President Jeff Atwater (R-Palm Beach) and House Speaker Larry Cretul (R-Ocala) will lead the Florida Legislature through the 2010 Regular Session and will be focused on short-term measures to stimulate Florida's economy.

Democrats have a higher percentage of voter registrants (42%) than do Republicans (36%) in Florida. However, the Senate and House have a Republican majority and three of the four statewide elected cabinet members, including the Governor, are Republican; as are the majority of the Florida Congressional delegation. There is an ever increasing number of voters registering as Independents. Their voter turnout and performance for either party is a major factor in the outcome of the 2010 elections.

Voter Registration in Florida
1972 - Current



Party Affiliation	
Democrat	42%
Republican	36%
No Party Affiliation	19%
Minor	3%

Source: Florida Department of State, Division of Elections (data is reflected through June 2009)

US Senate

The Democrats won control of the U.S. Senate in the 2006 Mid-Term Elections with a gain of nine seats. Florida is represented by Bill Nelson (D-FL) and George LeMieux (R-FL). This seat will be hotly contested by current Governor Charlie Crist (R) and U.S. Congressman Kendrick Meek (D-Miami Gardens), among others as Senator LeMieux is not expected to run in 2010.

US House

The Democrats also won control of the U.S. House in the 2006 Mid-term Elections, establishing the first ever female Speaker of the House, Nancy Pelosi. The composition of the Florida Congressional Delegation also changed as a result of the 2008 election with a net gain of 24 Democratic seats. Florida's delegation is comprised of 16 Republicans and 9 Democrats. There will be several challenging races during the 2010 election cycle which is a critical Mid-term election for the Obama Administration.



Florida's Cabinet

Florida Governor

After serving as Governor for over two years, Charlie Crist (R) announced that he is running for the U.S. Senate seat being vacated by Senator Martinez. This created an opportunity for the state's current Chief Financial Officer, Alex Sink (D) and Attorney General, Bill McCollum (R) to seek the Executive Office of Governor.

Alex Sink was elected in 2006 as Florida's Chief Financial Officer, where she serves as Florida's fiscal watchdog, identifying financial waste and government inefficiencies. During her tenure, Chief Financial Officer Sink has been aggressive in reforming private party contracting practices with the state and consumer advocacy, particularly related to financial fraud and mortgage foreclosure assistance. She will build on these priorities over the next 14 months as Chief Financial Officer in her bid for the Governor's seat in 2010, focusing on cutting wasteful spending, streamlining state government, demanding accountability, promoting openness and transparency, and protecting consumers.

Bill McCollum was also elected in 2006 as Florida's Attorney General, serving as Florida's chief law enforcement official. Since taking office, he has positioned Florida as a national leader in the fight against child pornography and internet child predators. Attorney General McCollum's most recent priorities include developing a statewide strategy to address gangs, violent crime and drugs; preventing cyberfraud and identity theft; as well as fighting mortgage fraud. His office is also enhancing its efforts to combat Medicaid fraud, improve Homeland Security, and fight crimes against the elderly.

Florida Chief Financial Officer

The seat will be open for the 2010 election cycle. Current Senate President Jeff Atwater (R-Palm Beach) is the lead Republican candidate for Chief Financial Officer. As of this publication there are no announced Democrats.

Florida Attorney General

This seat will be open for the 2010 election cycle. Current Lieutenant Governor Jeff Kottkamp is the lead Republican candidate. The Democratic contenders are both state Senators from South Florida, Dave Aronberg (D-Greenacres) and Dan Gelber (D-Miami Beach).

Florida Agriculture Commissioner

Agriculture Commissioner Charles Bronson (R) is term limited in 2010, ensuring that all four Cabinet seats are open. The leading Republican candidates are Congressman Adam Putnam (R-Bartow) and state Senator Carey Baker (R-Eustis). The leading Democrats are former state Representative Rick Minton (R-Boynton Beach) and Scott Maddox, former Mayor of Tallahassee.



Florida Senate Leadership

2009-2010

President - Jeff Atwater- Palm Beach (R-25)
 President Pro Tempore- Mike Fasano, New Port Richey (R-11)
 Majority Leader - Alex Diaz de la Portilla, Miami (R-36)
 Minority Leader - Al Lawson, Tallahassee (D-6)

2011-2012²

President - Mike Haridopolos, Melbourne (R-26)
 Minority Leader - Nan Rich, Sunrise (D-34)

2013-2014³

President- Don Gaetz, Fort Walton Beach (R-4)



Photo courtesy of Mark Foley

2010 Election Cycle - Florida Senate

Senator	Party	District	Termed Out	2010 Candidate(s)/ Opponent(s)
Constantine, Lee	R	22	2010	Simmons, David (R)
Crist, Victor	R	12	2010	Ambler, Kevin (R) Norman, Jim (R)
Diaz de la Portilla, Alex	R	36	2010	Barreiro, Gustavo (R) Diaz de la Portilla, Miguel (R) Robaina, Julio (R)
Garcia, Rodolfo	R	40	2010	Garcia, Rene (R)
King, James	R	8	2010 ⁴	Bean, Aaron (R) Graham, Art (R) Quiggle, Dan (R) Thrasher, John (R)
Lawson, Al	D	6	2010	Ausley, Lorraine (D) Montford, Bill (D) Richardson, Curtis (D)

² Future leadership anticipated ³ Future leadership anticipated ⁴ A Special Election will be held on September 15, 2009 to fill this seat, empty as a result of the passing of Senator King.



Senator	Party	District	Termed Out	2010 Candidate(s)/ Opponent(s)
Peaden, Durell	R	2	2010	Evers, Greg (R) Hill, Walter (R) Murzin, Dave (R)
Villalobos, Alex	R	38	2010	Flores, Anitere (R) Rivera, David (R)
Aronberg, Dave	D	27	2012	Benacquisto, Lizbeth (R) Burkett, Peter (D) Merchant, Sharon (R) Rader, Kevin (D)
Atwater, Jeff	R	25	2012	Bogdanoff, Ellyn (R) Domino, Carl (R) Loeb, Nick (R) Skidmore, Kelly (D)
Baker, Carey	R	20	2012	Bakich, Michael (R) Hays, Alan (R)
Justice, Charlie	D	16	2014	Hayden, Nina (D) Latvala, Jack (R)
Gelber, Dan	D	35	2016	Margolis, Gwen (D)

Florida House Leadership

2009-2010

Speaker- Larry Cretul, Ocala (R-22)
 Speaker Pro Tempore- Ron Reagan, Bradenton (R-67)
 Majority Leader- Adam Hasner, Del Ray Beach (R-87)
 Minority Leader- Franklin Sands, Weston (D-98)

2011-2012⁵

Speaker- Dean Cannon, Winter Park (R-35)
 Minority Leader- Ron Saunders, Key West (D-120)

2013-2014⁶

Speaker- Will Weatherford, Wesley Chapel (R-61)



⁵ Future leadership anticipated ⁶ Future leadership anticipated
 Source: Florida Department of State, Division of Elections



Florida House Term Limits

Senator	Party	District	Termed Out	2010 Candidate(s)/ Opponent(s)
Adams, Sandra	R	33	2010	Brodeur, Jason (R) Cruz, Leo (D) Jones, Andrew (R) Perez, Franklin (LIB) Sterling, Alice (R)
Ambler, Kevin	R	47	2010	Aderhold, Tom (R) Mitchell, Christopher (D) Reidy, Richard (R) Burda, William (INT)
Anderson, Thomas	R	45	2010	Calvo, Fabian (R) Corcoran, Richard (R) Starkey, Kathryn (R) Folkman, Carl (R)
Brandenburg, Mary	D	89	2010	Brandenburg, Peter (D) Clemens, Jeff (D) Pearl, Elissa (D)
Cretul, Larry	R	22	2010	Deakins, John (R) Guinn, Reuben (R) Johannesen, Chad (R) Martello, Sarah (D) Perry, Keith (R) Hageloh, Michael (D) Paul Samarrai, Remzey (R)
Culp, Faye	R	57	2010	Marks, Todd (R) Matthews, AJ (R) Somers, Clifford (D)
Domino, Carl	R	83	2010	Arena, Tony (D) Cardone, Nancy (R) Lew, Gary (D) Marciano, Mark (D) Rodriguez, Francisco (R) Wukoson, Nicholas (R)
Evers, Greg	R	1	2010	Broxson, Douglas Vaughn (R) Dobson, Matt (R) Salomon, Ferdinand (R)
Galvano, Bill	R	68	2010	Boyd, Jim (R)
Gibson, Audrey	D	15	2010	Fullwood, Reggie (D)
Hasner, Adam	R	87	2010	Berman, Lori (D) Hager, Bill (R)



Senator	Party	District	Termed Out	2010 Candidate(s)/ Opponent(s)
Homan, Ed	R	60	2010	Blair, Daniel (R) Cano, Christopher (D) Harrison, Shawn (R) Patterson, Russ (D) Stroud, Ramon (R) Wendt, Joseph (R)
Llorente, Marcelo	R	116	2010	Amador, Francisco (R) Bermudez, Whilly (R) Fagundo, Ernesto (R) Fernandez, Ariel (R) Manrique, Carlos (R) Davis, Patricia (R)
Murzin, Dave	R	2	2010	Horne, Jesse (R) Ingram, Clay (R) Karasek, David Martin (R) Mendoza, Daniel (R)
Patterson, Pat	R	26	2010	Champion, Vince (R) Costello, Fred (R) Huth, Timothy (D)
Planas, Juan-Carlos	R	115	2010	Ascencio-Savola, Carla (R) Cueto, Joaquin del (R) Diaz, Jose (R) Solomon, Jeffrey (D)
Poppell, Ralph	R	29	2010	Dale, Robert (R) Goodson, Tom (R) Grall, Erin (R) Shealy, Roger (R) Sirois, Tyler (R)
Reagan, Ron	R	67	2010	Guccione, Jeremiah (R) McCann, Robert (R) Nisco, Marie (R) Steube, Greg (R)
Rivera, David	R	112	2010	Farias, Johnny (D) Nunez, Jeanette (R) Ruiz, Alex (R) Ruiz, Sandra (D)
Robaina, Julio	R	117	2010	Alliegro, Ana (R) Lesperance, Lisa (D) Pazos, Jose (R) Rivchin Jr., Marcus (R) Robaina, Juan Carlos (R) Flinn, Eugene (D)

Source: Florida Department of State, Division of Elections



Florida House Term Limits (Continued)

Senator	Party	District	Termed Out	2010 Candidate(s)/Opponent(s)
Roberson, Yolly	D	104	2010	Maloy, Marilyn (D) Hepburn, Michael (D) Kon, Joshua (R) Simon, Dominique (D)
Sansom, Ray	R	4	2010	Gaetz, Matt (R) Garvie, Bill (R) Woods, Kabe (R)
Troutman, Baxter	R	66	2010	Albritton, Ben (R) Newberry, Gary (R) Reed, Leviticus (R)
Zapata, Juan	R	119	2010	Artiles, Frank (R) Sosa, Joseph (R) Zanzi, Italo Andres (R) Velez, Juliana (R) Denny, Graziella Renee (NPA)
Bogdandoff, Ellyn	R	91	2012	Maymon, David (R) Postelnik, Yomin (R) Stevens, Freda (D)
Flores, Anitere	R	114	2012	Logan, Ana (R) Navarro, Lubby (R) Gonzalez-Eilert, Anjenys (D) Herrera, Millie (D)
Hays, Alan	R	25	2012	Beall, Kristen (R) Metz, Larry (R) Wood, Frank (D) Joyce, Rick (R)
Hukill, Dorothy	R	28	2012	Valedes, Theresa (R)
Skidmore, Kelly (I)	D	90	2014	Klasfeld, Sheldon (D)



Conclusions

Business

Florida has experienced a “tectonic shift” in its economic foundation, challenging every economic paradigm which supports its budgetary structure, as well as the assumptions on which our tax structure rests, like real estate development, sales tax and property insurance.

The extent to which Florida can efficiently and sustainably recover relies on addressing a number of core problem areas. In particular, significant policy reforms must address housing foreclosures and the significant excess in housing supply; regulatory and workforce systems must be integrated and aligned with statewide economic development goals and objectives; and stimulus dollars must be more efficiently utilized. The state’s FY 2010-2011 budget will largely determine the degree to which these issues can be addressed and will force leadership to direct limited resources to a strict set of priorities. Agency cuts, partial policy development, and frugal spending are negative outcomes of a constrained budget, which directly undermine Florida’s business environment.

Even in light of political uncertainty, government will continue to react quickly and efficiently- more than ever- in creating a more business-friendly environment for job creation and private investment opportunities. Policies such as the Governor’s Economic

Gardening Program and the Community Renewal Act demonstrate leadership’s commitment to economic revitalization. The Senate Committee on Florida’s Economy will continue to provide the Legislature direction with projects and policies that specifically address immediate economic needs. Also important will be Amendment 4 on the 2010 ballot, which could significantly impact Florida’s future business and land use growth model. The relationship between stimulating growth and balancing its impacts on our quality of life has emerged as a particularly important and highly contentious issue. This relationship sits squarely at the intersection of business and government and its relevance will continue to grow as we shape Florida’s 21st Century economy.

In this dynamic business climate, the need for sound, economic policy continues to be at a premium more than ever. The regulatory environment must become more business friendly and incent investment in existing and new companies. The state’s success over time can only be measured by its ability to efficiently develop and implement short-term policies that stop the economic downturn and lead us out of the recession, mid-term strategies to ensure positive growth, and a long-term economic model that reduces vulnerability and ensures prolonged sustainability.



Political

President Obama, his Cabinet and the U.S. House and Senate were immediately charged by the electorate with leading American citizens out of a recession and back into economic prosperity. The response was the American Recovery and Reinvestment Act of 2009, which remains highly contested and difficult to accurately assess. The most significant barrier is efficiently releasing stimulus dollars through existing state channels, thereby maximizing the flow of dollars to the state. Healthcare also has proved to be a divisive issue as the President is seeking to reform healthcare policies on a grand scale. Its resolution is far from being realized and will remain as a highly contentious issue into 2010. Despite the excitement surrounding President Obama’s election, his ambitions as a candidate are being tested through a highly partisan and increasingly divided constituency.

Florida’s change during the 2008 Presidential election from a Republican to a Democratic voting state was significant and will set the backdrop for the state’s 2010 Gubernatorial, Congressional and Legislative races. The upcoming 2010 Census will determine the size of Florida’s Congressional delegation, Florida’s allocation

of funding for at least ten years after the Census and the shape of Florida House and Senate districts. Further, U.S. Senator Martinez’s announcement to vacate his seat triggered an extensive series of Florida Cabinet, Legislative, and local government vacancies. The outcome of the 2010 elections will reflect a shuffled political landscape, affecting policy directions for core issues such as regulatory structure, property tax and insurance, and statewide economic revitalization initiatives. Each of these factors are significant; taken together however, these issues create a politically volatile period between now and November 2, 2010.

Out of crisis emerges leadership and opportunity. As political uncertainty begins to take form, the direction of policy in core issues will also crystallize, creating opportunities for elected officials to demonstrate sound, bipartisanship leadership that improves the quality of life for Florida’s citizens and fosters a healthier and more dynamic business environment. The challenges are immense and it will require creative and collaborative efforts from all levels of Florida’s government.



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