OUTLOOK FOR U.S. & FLORIDA

Florida Education Facilities Planners Association

January 29, 2020

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Recap of 2019 – Forecast and Reality

● Expectations for 2019

- Strong gains in aggregate demand from 2017 Tax Cut

- Rising interest rates and higher inflation with 2-4 rate bumps from Fed

- Setting stage for mild recession in 2020

● 2019 Realities

- Growth weakened quickly in 2019 as impact from tax cuts waned – lack of business investment/weak housing

- Trade war accelerated and much higher tariffs were imposed surprising markets

- Stock prices and bond rates fell

- Fed cut rates 3 times to support the weakening economy

Impact of trade war and escalating tariffs on financial markets in 2019

- Trade war and escalating tariffs began in late 2018

- Macro economy already slowing with waning impact of tax cuts and financial markets reacted forcing Fed to cut rates
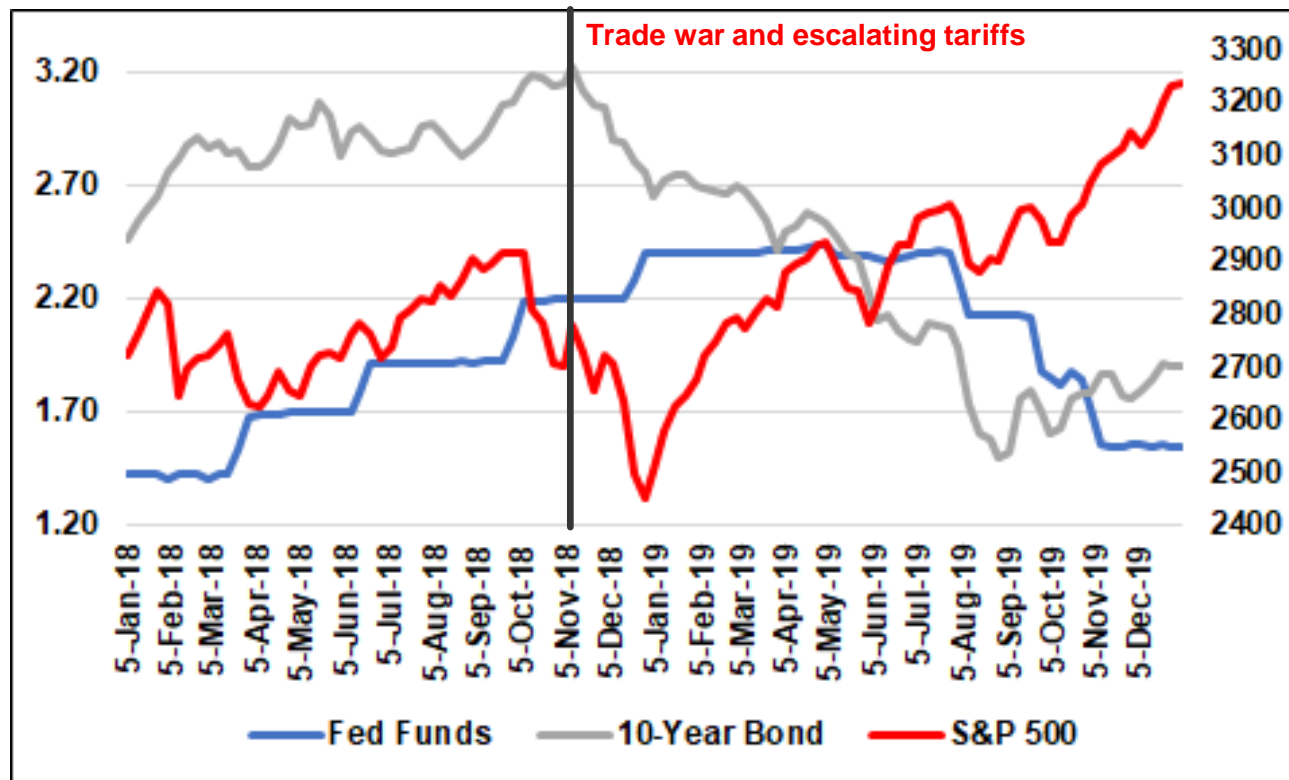
Factors Shaping U.S. Outlook

- War with Iran

- 2020 Election

- How much momentum is left?

- Strengths

  - Trade tensions lower

  - Fiscal stimulus and low rates of interest and inflation

- Weaknesses

  - Late cycle fatigue

  - Contracting business investment

  - Middle East Political Turmoil
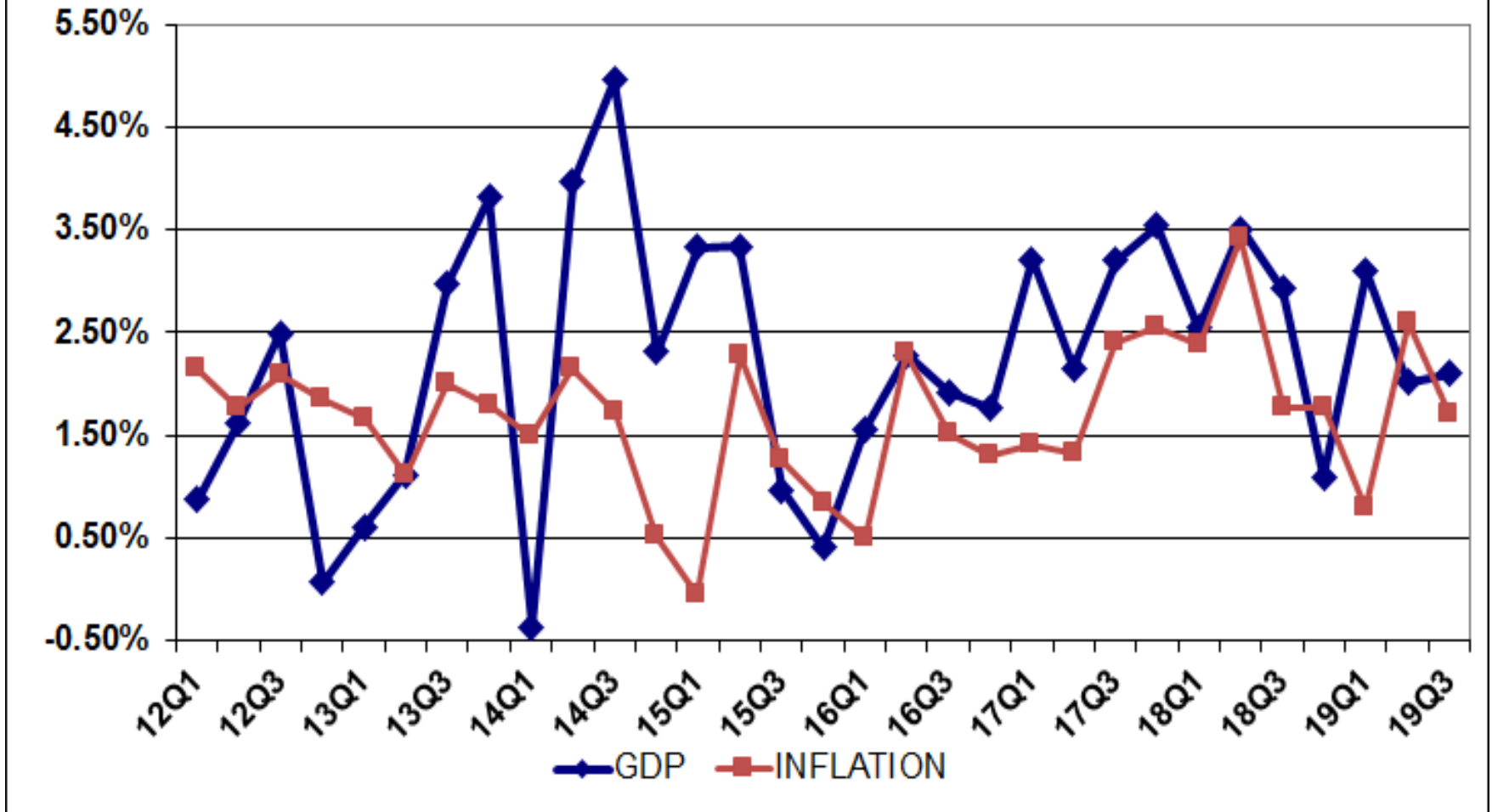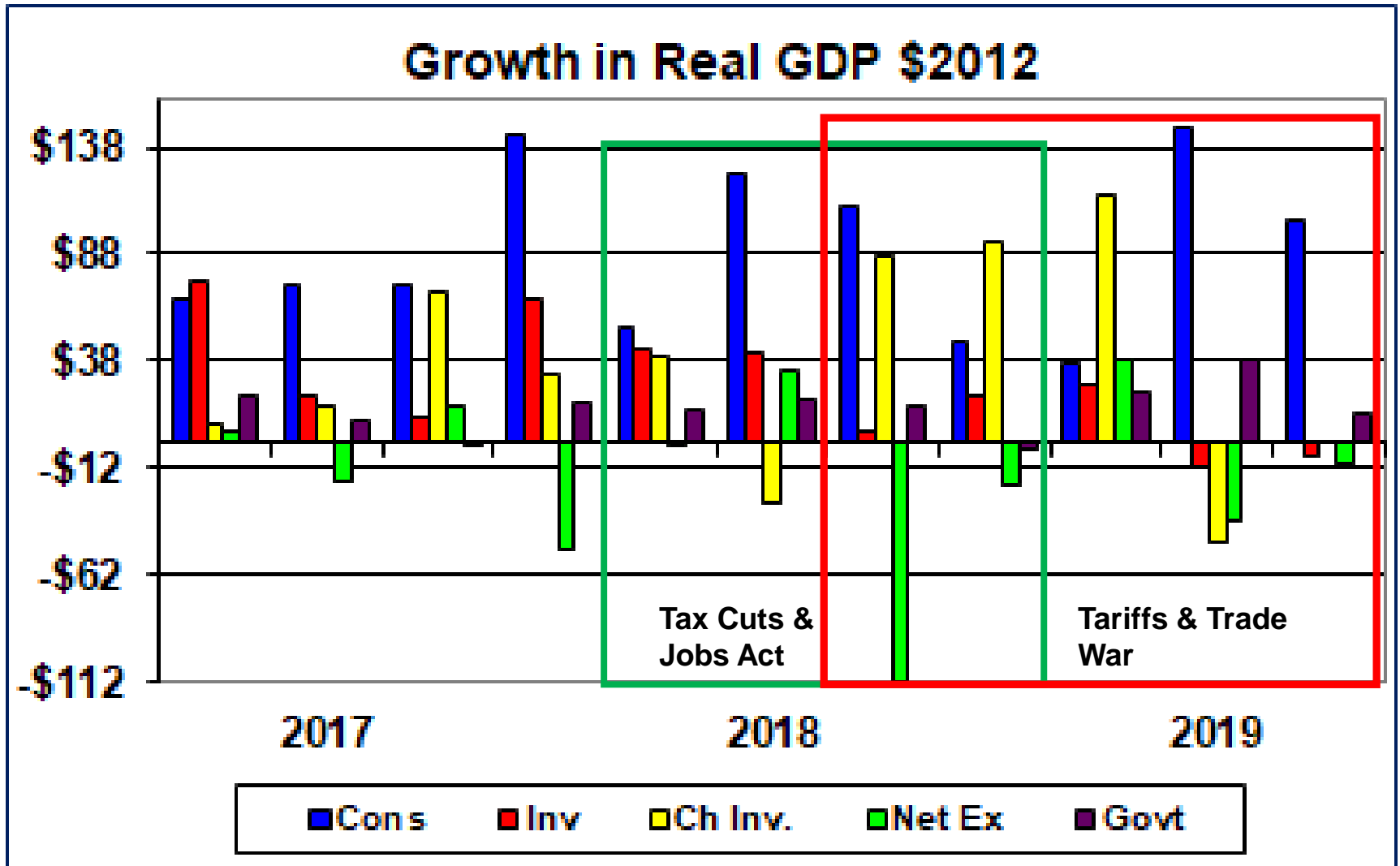
Why Care About GDP? Where GDP goes so goes Florida to a large extent
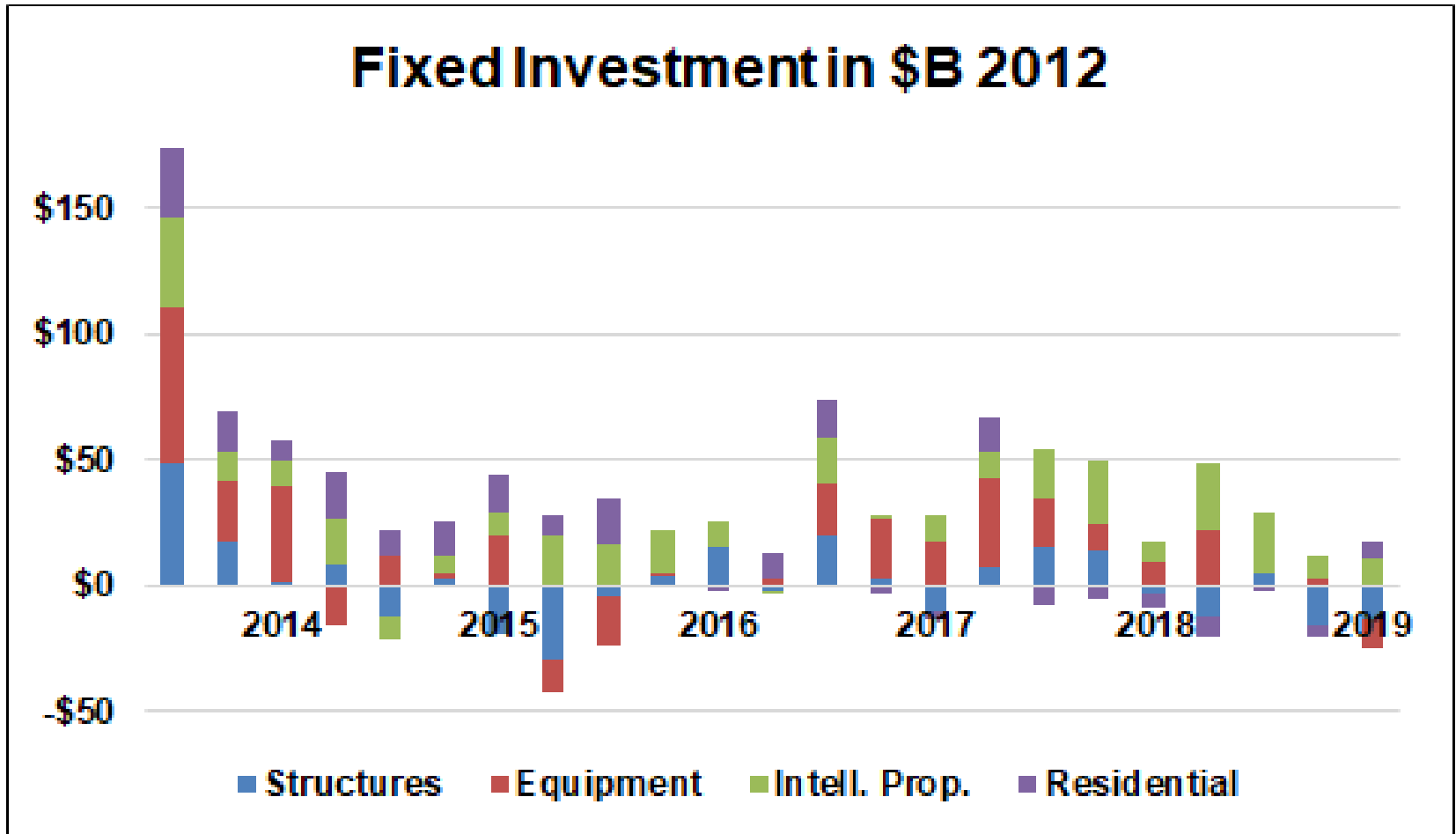
GDP v Florida GSP

Correlation = 0.87

U.S. —— Florida
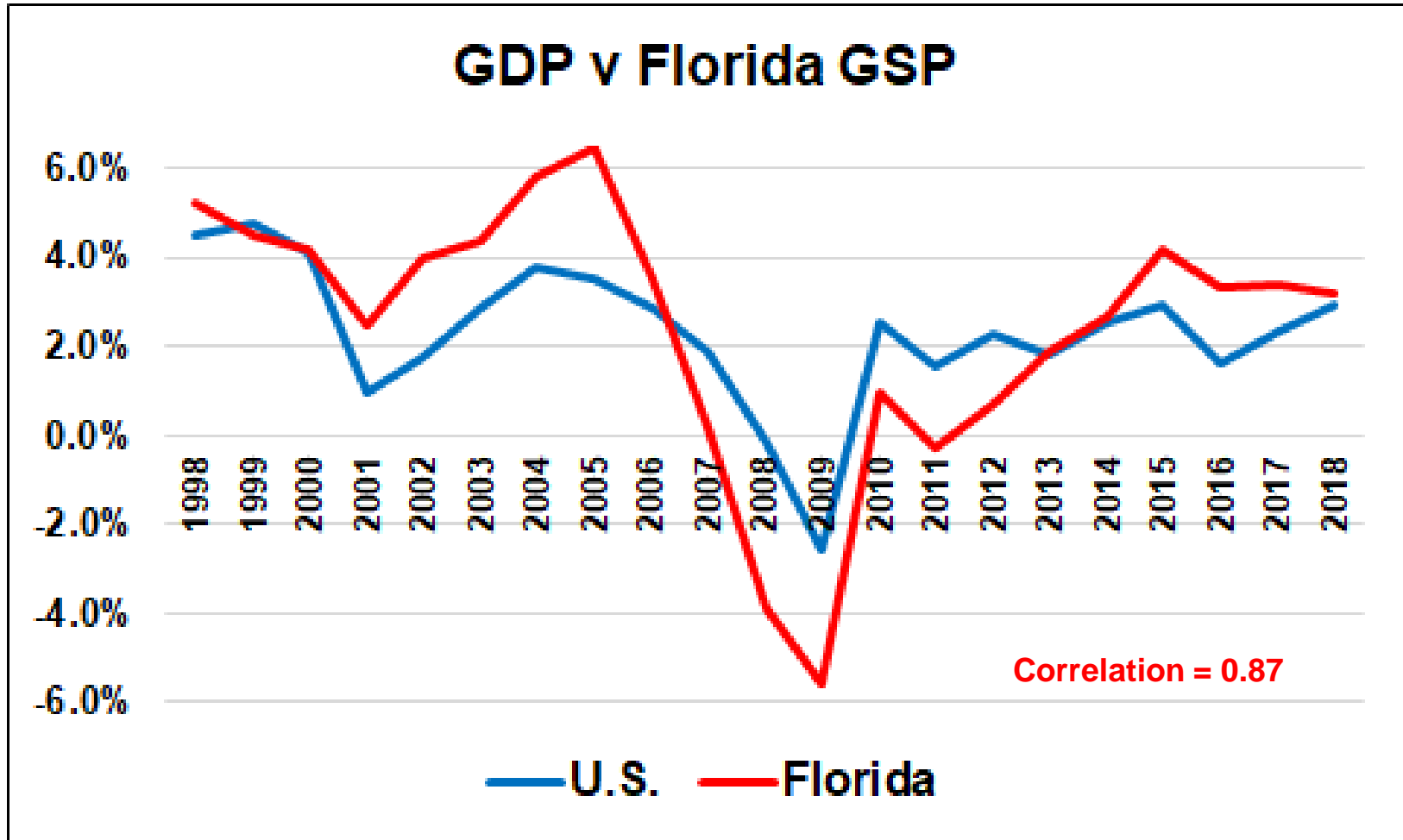
Growth of Real GDP and Inflation

Growth in Real GDP $2012

Fixed Investment in $B 2012

Job growth has remained strong in 2019 – but slower than in 2018
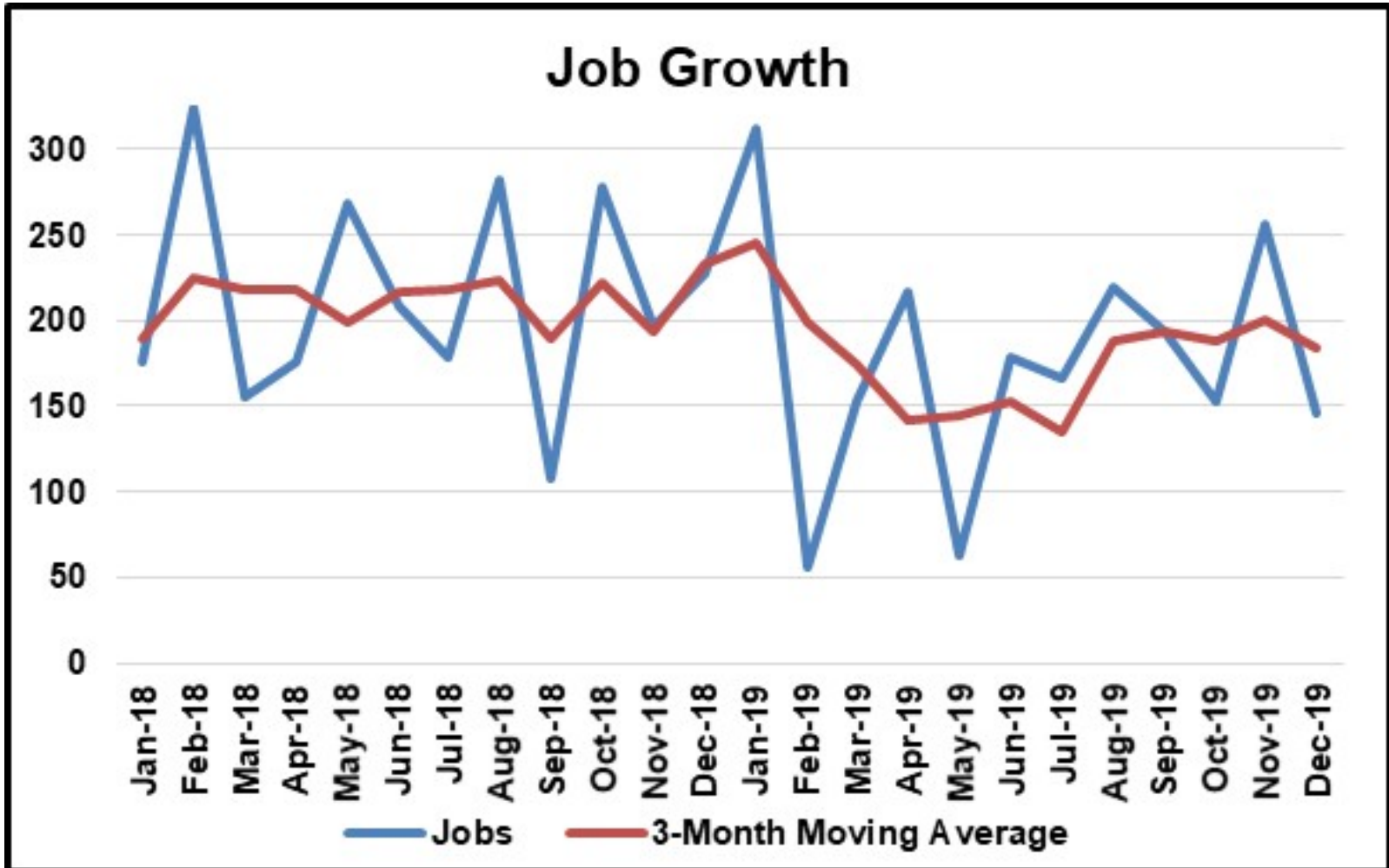
Job Growth

Pace of Job Growth goo but is Slowing after stimulus from tax cuts fades

Job Growth (000s)

Year	Value
2012	2,235
2013	2,200
2014	2,567
2015	2,885
2016	2,522
2017	2,263
2018	2,454
2019	2,253
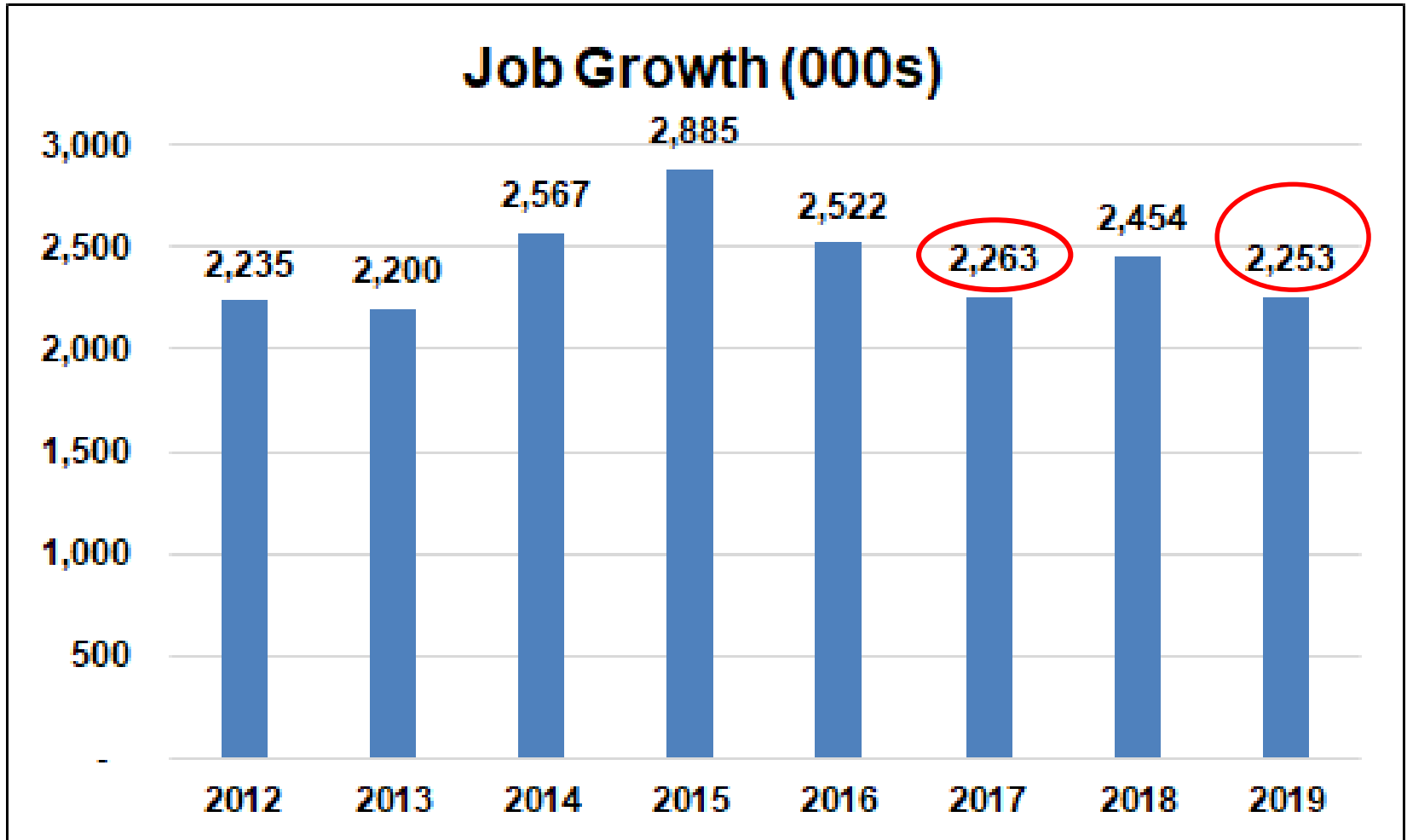
- Claim levels below 250,000/ month means

- job growth running about 200,000/ month

New Claims for Unemployment

Legend: Claims (red), 4-Week Average (purple)

X-axis: 3-Feb-18, 3-Apr-18, 3-Jun-18, 3-Aug-18, 3-Oct-18, 3-Dec-18, 3-Feb-19, 3-Apr-19, 3-Jun-19, 3-Aug-19, 3-Oct-19, 3-Dec-19

Y-axis: 190,000 to 250,000
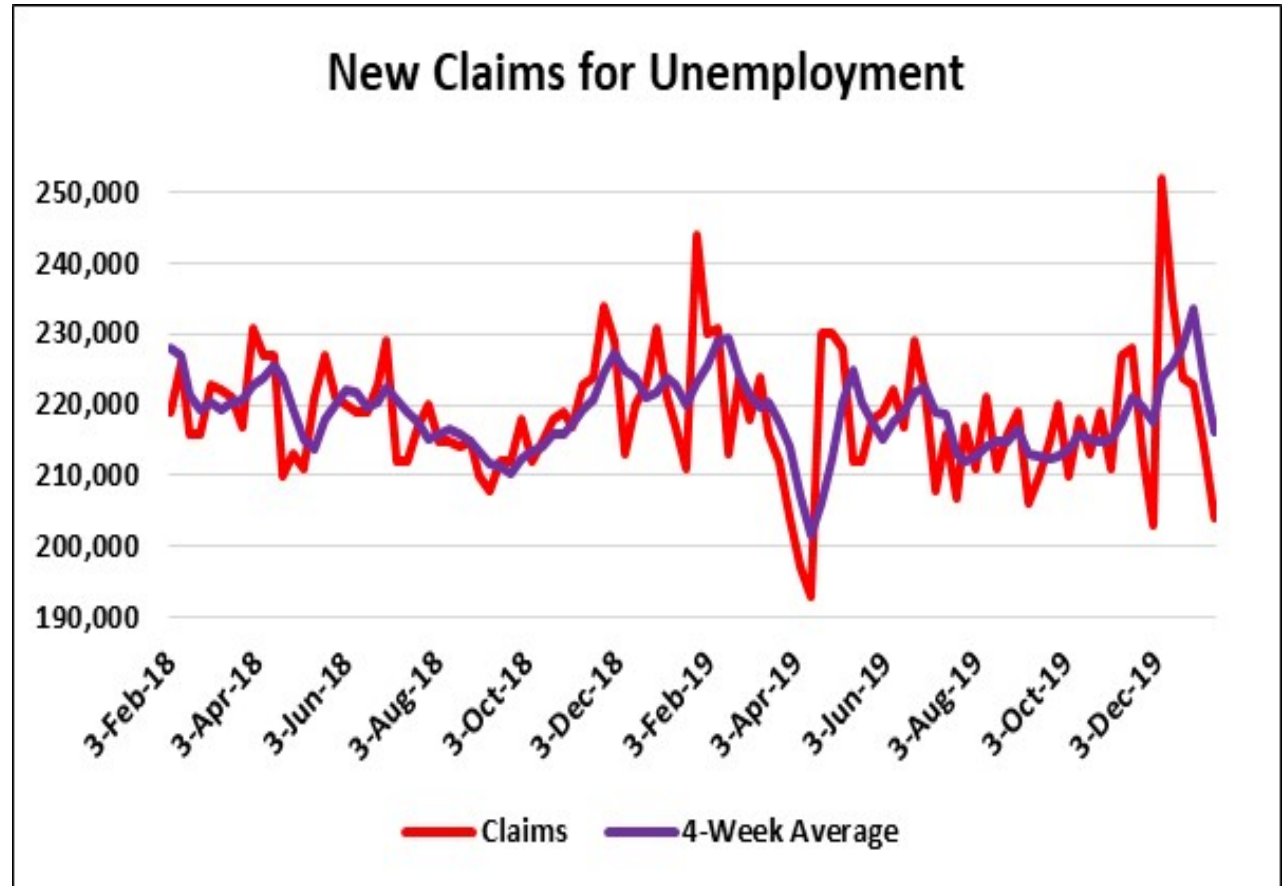
Growth in Wages and in Real Disposable Income

- Real disposable income and wages continue growing solidly

- Slowing job gains will be offset some by rising wages supporting growth in income

Year-over-Year Growth in Real Disposable Income

Year-over-Year Growth in Wages
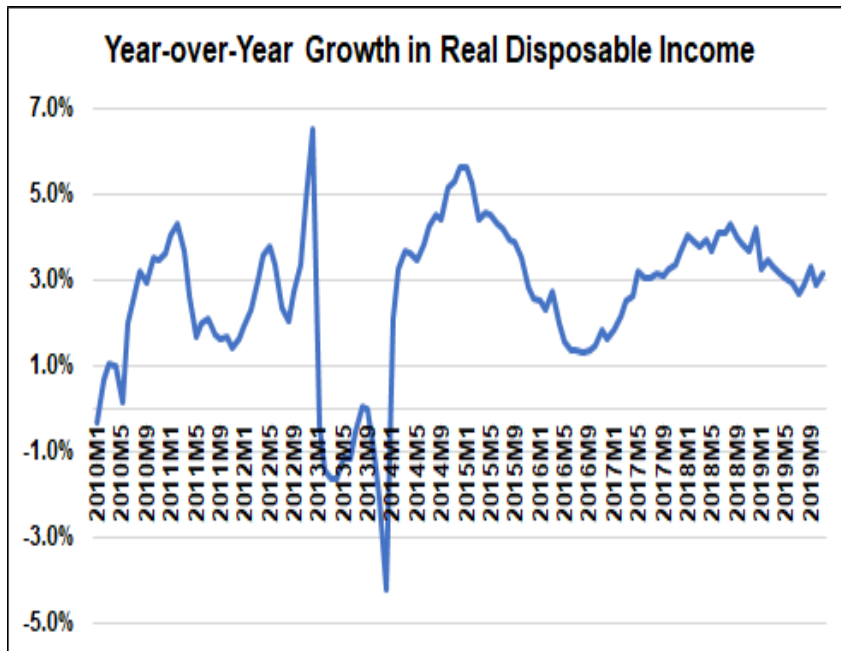
Consumer confidence remains high

Consumer Sentiment
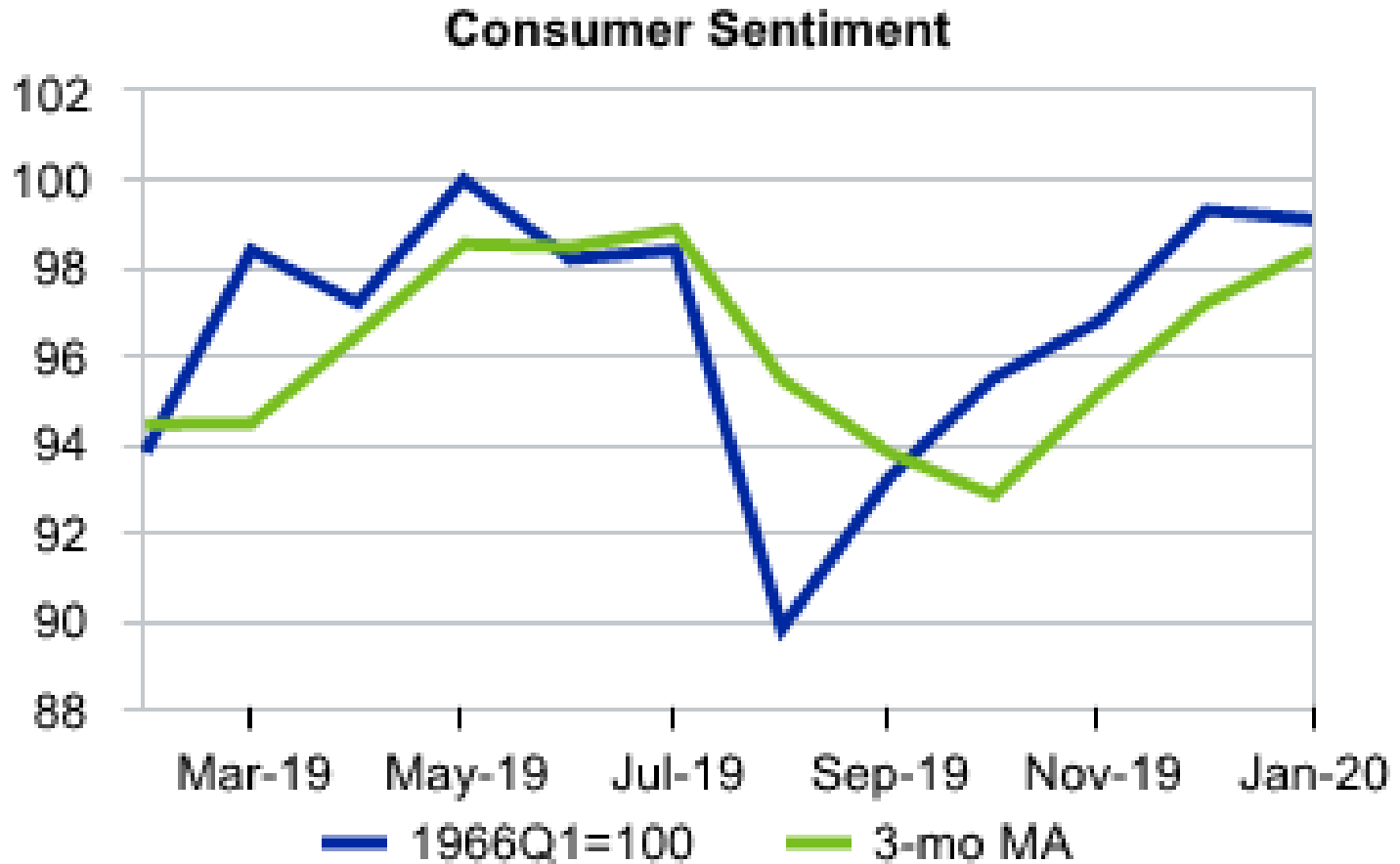
□ **December's retail sales continue growing modestly up 5.8% over the year up 5.7% without auto sales included**

□ **This overstates strength because sales in December 2018 were weak**

Retail Sales
% change
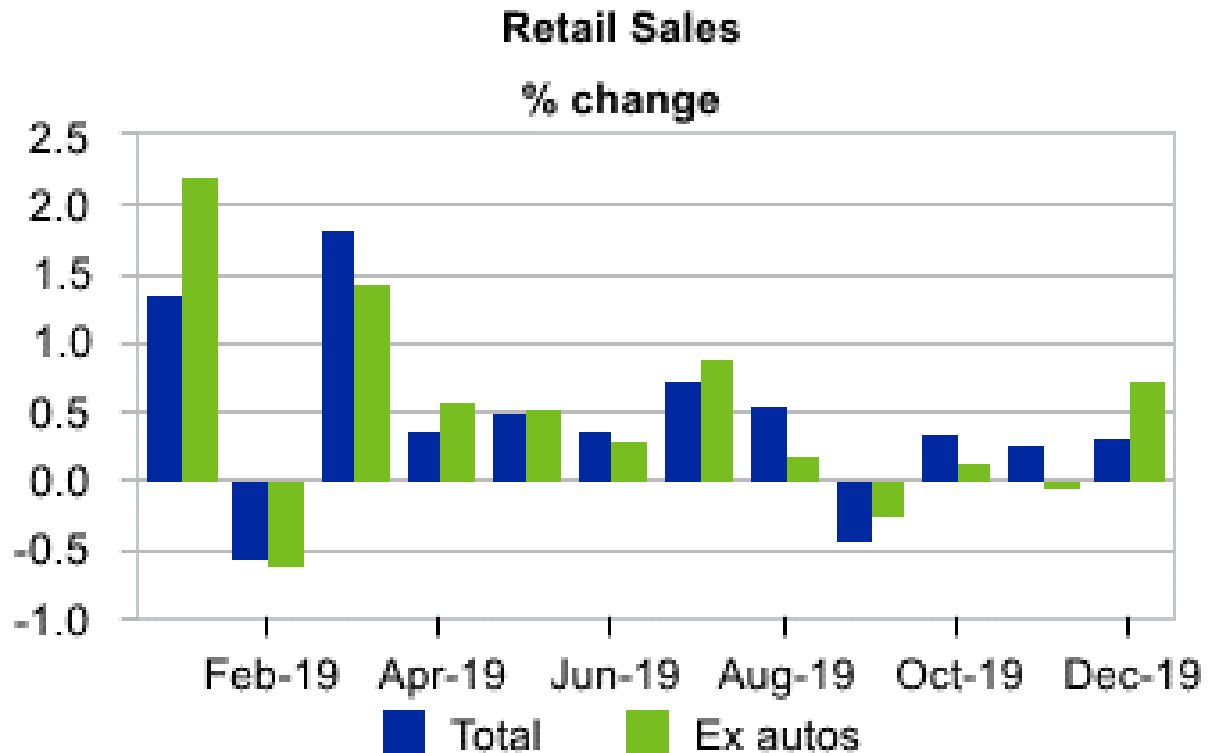
Inflation remains tame – global competition and soft foreign markets are keeping prices in check

- Inflation remains at or below Fed's target level

- No signs of price pressures building in the supply chain

Producer Prices
% change

Final demand   Core goods

Consumer Price Index
% change

Federal Reserve Target

All items   Less food and energy
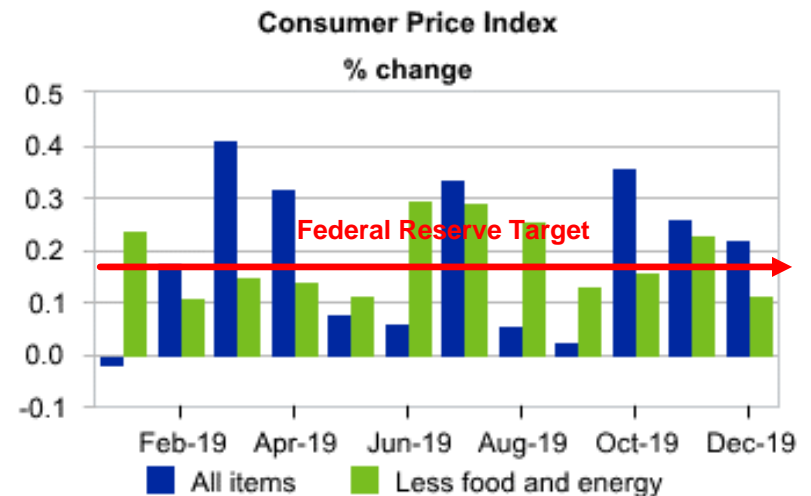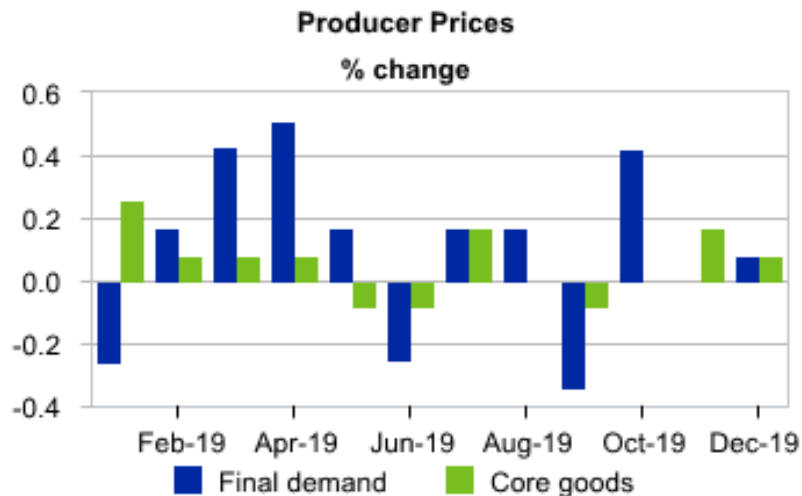
Residential construction advances with mortgages rates below 4%

- Starts are 14% above last year

- Sales of existing homes are up 3% over last year – limited by historically low inventory for sale

Housing Starts
Total privately owned, mil, SAAR

Existing Home Sales
Mil, SAAR
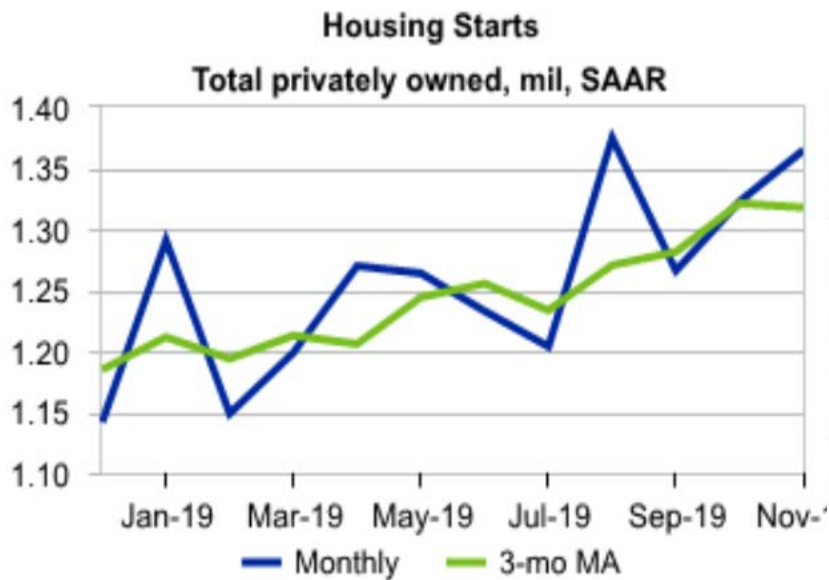
Exchange Rates – Value of the Dollar

- Value of dollar increased on a trade weighted basis – mostly on the strength of U.S. financial markets

- Dollar has appreciated v. Euro but depreciated v. Canada and Japan

Value of the Dollar

Exchange Rate/Dollar
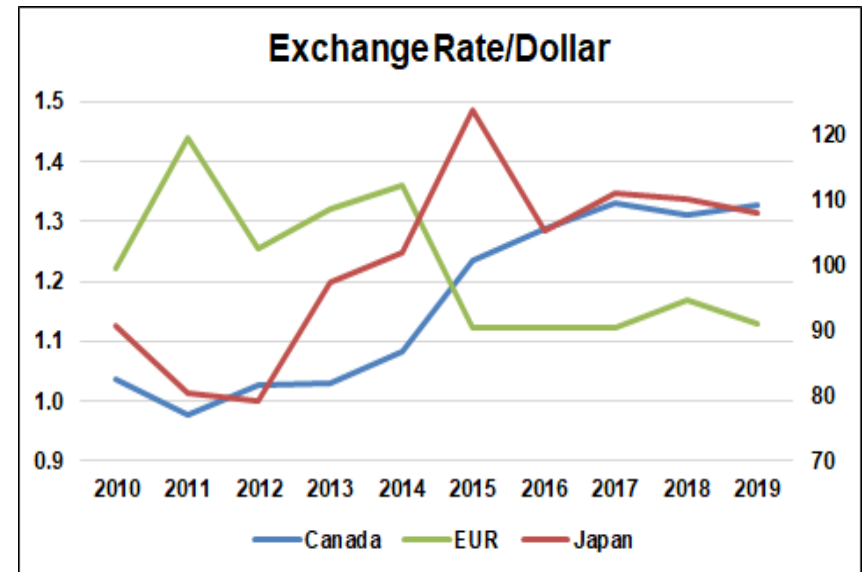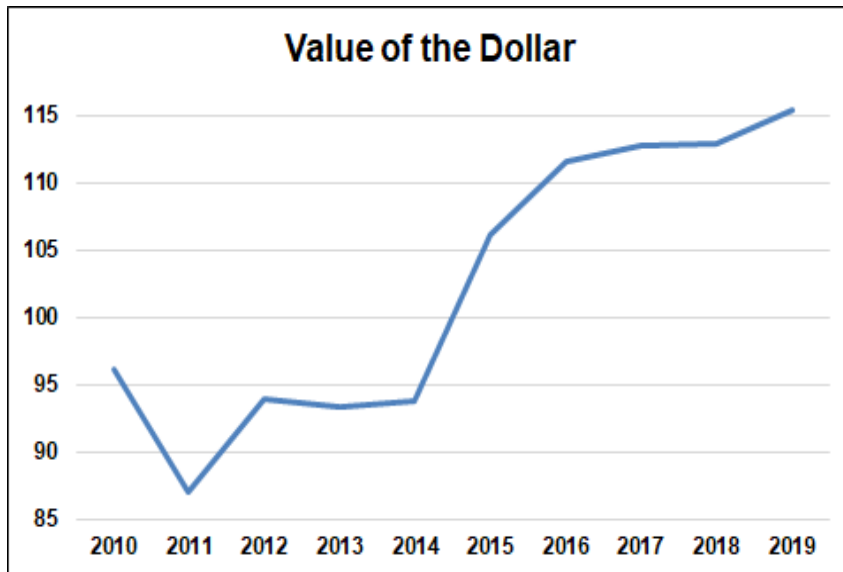
Tariffs

- Tariffs blunt tool that so far has backfired – jobs down, costs up, cost/family about $700/year

- Federal Reserve Study

Flaaen, Aaron, and Justin Pierce (2019). "Disentangling the Effects of the 2018-2019 Tariffs on a Globally Connected U.S. Manufacturing Sector," Finance and Economics Discussion Series 2019-086. Washington: Board of Governors of the Federal Reserve System, https://doi.org/10.17016/FEDS.2019.086.

We find that the 2018 tariffs are associated with relative reductions in manufacturing employment and relative increases in producer prices. For manufacturing employment, a small boost from the import protection effect of tariffs is more than offset by larger drags from the effects of rising input costs and retaliatory tariffs. For producer prices, the effect of tariffs is mediated solely through rising input costs.

Figure 1: Measures of Manufacturing Activity: 2017m1 to 2019m8

Figure 2: Timeline of New U.S. Import Tariffs: 2018-2019
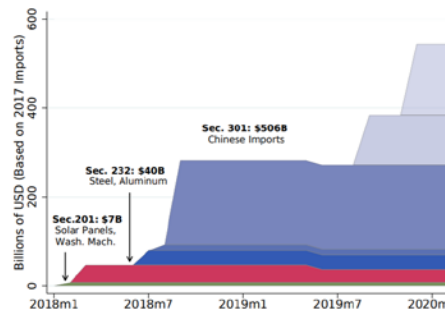
Figure 3: Timeline of Retaliatory Tariffs on U.S. Exports: 2018-2019
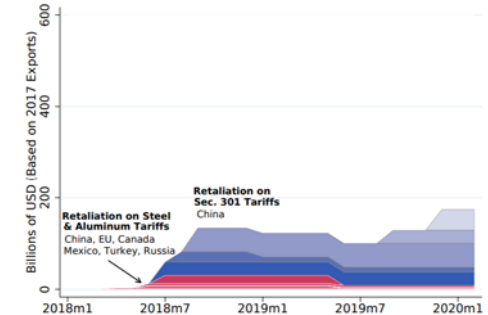
Phase 1 Deal with China does not revive U.S. Manufacturing

- ISM index peaked just before Trump initiated trade war and escalated tariffs

- Production at its lowest level since 2009 Orders fallen for in each of the last 6 months

- Phase 1 deal leaves tariffs of 25% on most imported goods boosting costs of U.S. production thereby inhibiting output

ISM Manufacturing Index <50 = Contraction
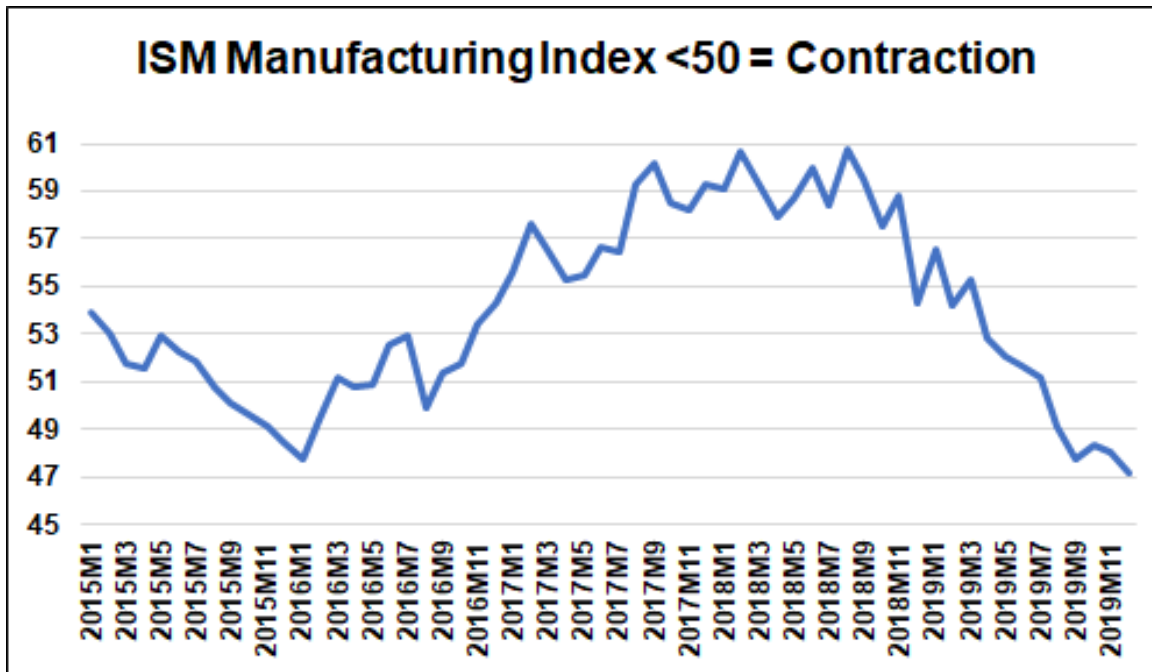
No Signs of Recession on the Horizon But Watch Financial Markets

Recession Indicators – Moody's Analytics

Indicator	Current Recession Risk						Prior to Great Recession*					
	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
Unemployment rate-NAIRU	High	High	High	High	High	High	High	High	High	High	High	High
Financial stress index	Low	Low	Low	Low	Low	Low	Low	Moderate	Moderate	Moderate	Moderate	High
Housing permits	High	Moderate	Low	Low	Low	Low	High	High	High	High	High	High
Yield curve 10-yr minus 3-mo	High	High	High	High	Moderate	Moderate	High	High	High	High	High	High
Yield curve 10-yr minus 2-yr	Moderate	High	High	High	Moderate	Moderate	High	High	High	High	High	High
TED spread	Low	Low	Low	Low	Moderate	Moderate	Low	High	High	Moderate	High	High
Consumer confidence	Low	Low	Low	Low	Low	Low	Low	Low	Moderate	Moderate	Moderate	Moderate
Jobless claims	Low	Low	Low	Low	Low	Low	Low	Low	Low	Moderate	High	High
S&P 500	Low	Low	Moderate	Low	Low	Low	Low	Moderate	Low	Low	Moderate	Low
ISM manufacturing index	Low	Low	Moderate	Moderate	Moderate	Moderate	Low	Low	Low	Low	Low	Low
Hours worked for production workers	Moderate	High	Moderate	Moderate	Moderate	Moderate	Low	Low	Low	Low	Low	Low
Banks tightening lending standards on C&I	Low	Low	Low	Low	Moderate	Moderate	Moderate	Moderate	Moderate	High	High	High
Core capital goods orders	Low	Moderate	Moderate	Moderate	Moderate	Low	Moderate	Moderate	High	High	High	Moderate
Unemployment rate	Low	Low	Low	Low	Low	Low	Moderate	Low	Moderate	Moderate	Low	High
Industrial production	Low	Low	Moderate	Moderate	High	High	Low	Low	Low	Low	Low	Low
ISM nonmanufacturing index	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
Employment	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
Real monthly GDP	Moderate	Low	Low	Low	Moderate	ND	Low	Low	Low	Low	Low	Low

Source: Moody's Analytics

Monthly Economic Checklist

U.S. Economy Health Check

	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19
Monthly GDP, annualized % change	8.8	0.6	0.1	6.7	-3.5	6.0	6.4	ND
Payroll employment, total, change ths	216	62	178	166	219	193	156	266
Private	195	81	161	122	163	183	163	254
Unemployment rate, %	3.6	3.6	3.7	3.7	3.7	3.5	3.6	3.5
Initial claims, avg, ths	212.5	217.5	221.8	212	215.6	212.8	215	216.4
Retail sales, % change	0.4	0.5	0.4	0.7	0.6	-0.4	0.4	0.2
Control retail sales	0.5	0.8	0.5	0.8	0.3	-0.4	0.3	0.1
Orders of nondefense capital goods ex aircraft	-1.1	0.2	0.9	0	-0.8	-0.5	1.1	0.1
Industrial production	-0.6	0.2	0	-0.2	0.8	-0.4	-0.9	1.1
Manufacturing industrial production	-0.9	0.1	0.6	-0.4	0.7	-0.7	-0.7	1.1
ISM manufacturing index	52.8	52.1	51.7	51.2	49.1	47.8	48.3	48.1
ISM nonmanufacturing index	55.5	56.9	55.1	53.7	56.4	52.6	54.7	53.9
New plus existing-home sales, mil, SAAR	5.9	6	6	6.1	6.2	6.1	6.2	6.1
Housing starts, % change	5.9	-0.5	-2.5	-2.4	14.2	-7.9	4.5	3.2
Real trade deficit, $ bil	-51	-54.4	-53.7	-52.7	-53.5	-51.1	-47.2	ND
Michigan consumer sentiment index	96.9	102.4	97.9	98.4	92.1	92	96	95.7
PCE deflator, % change yr ago	1.5	1.4	1.4	1.4	1.4	1.3	1.4	1.5
Core PCE deflator, % change yr ago	1.6	1.5	1.6	1.6	1.8	1.7	1.7	1.6
Composite index of coincident indicators, 2010=100	105.7	105.8	106	106	106.4	106.5	106.4	106.8

Worse than prior 3-mo MA	Better than prior 3-mo MA	No change from prior 3-mo MA

Sources: BLS, Census Bureau, Federal Reserve, NAR, Moody's Analytics

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Financial Market Checklist

U.S. Financial Market Conditions Health Check

	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19
S&P 500	2904	2855	2890	2996	2898	2982	2978	3105
CBOE volatility index	13.1	18.7	15.1	16.1	19	16.2	13.2	12.6
TED spread, bps	20.7	18.1	22.7	19.5	21.6	23	33	36.3
Yield curve (10 yr minus 2-yr), bps	0.2	0.2	0.3	0.2	0.1	0.1	0.2	0.2
Yield curve (10 yr minus 3-mo), bps	0.2	0.0	-0.1	0	-0.3	-0.2	0.1	0.3

Worse than prior 3-mo MA	Better than prior 3-mo MA	No change from prior 3-mo MA

Sources: Federal Reserve, CBOE, S&P, Moody's Analytics

Financial markets are volatile and PE multiples elevated

- Cyclically adjusted and inflation adjusted PE ratio at 31 2nd highest level ever

- Nominal PE highest since 2009 which was distorted by the Great Recession

- PE was 46 at the top of the dot.com bubble in 2000

Cyclically Adjusted PE Ratio

S&P 500 PE Ratio
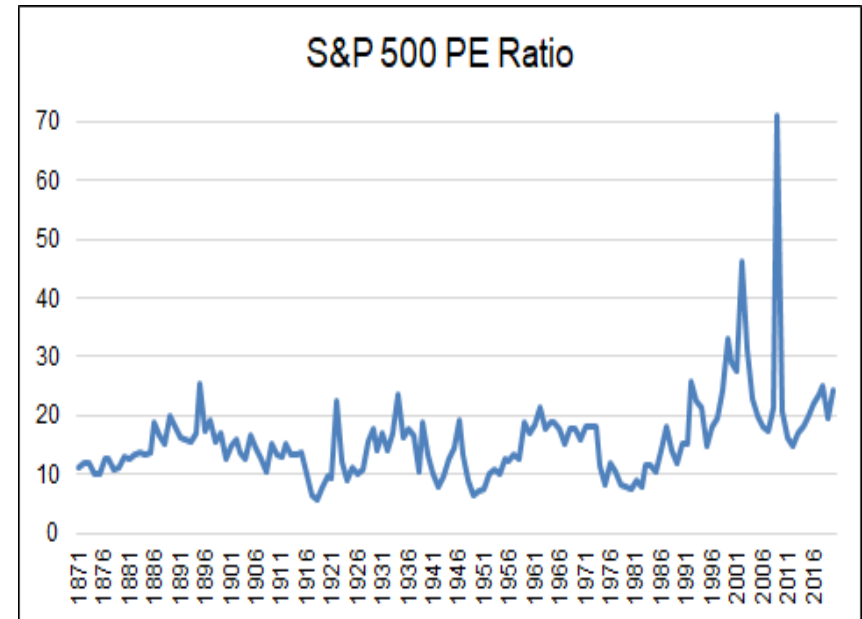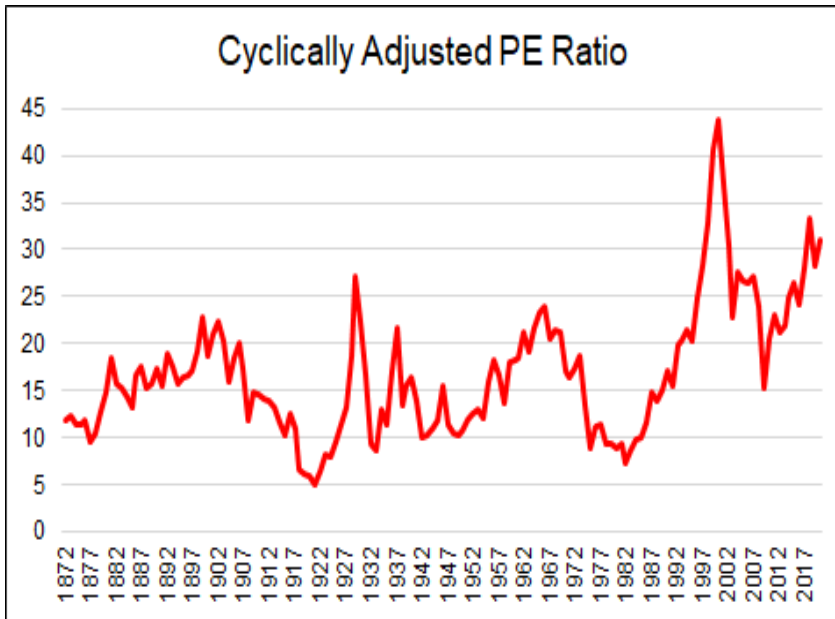
The 2020 Election

Key Issues for the Election

- Who will be the Democratic candidate?

  - Early polling poor predictor for ultimate Democratic candidate

  - Since 1972 (modern nominating process), no Democratic candidate that was front-runner 1-year before the election became president

  - 6-months in year prior to election the ranking of candidates was: Carter 12th (1976); Clinton 13th (1992); Obama 2nd (2008) [Data from Wells Fargo]

- Major Issues that will determine the election

  - Turnout

  - President's Approval Rating

  - War/Foreign Policy Crisis

  - Trade Wars and Tariffs

  - Stock Market

  - Interest Rates

  - Gasoline Prices

  - Unemployment Rate

Living in Different Economies

Consumer comfort index by political party affiliation
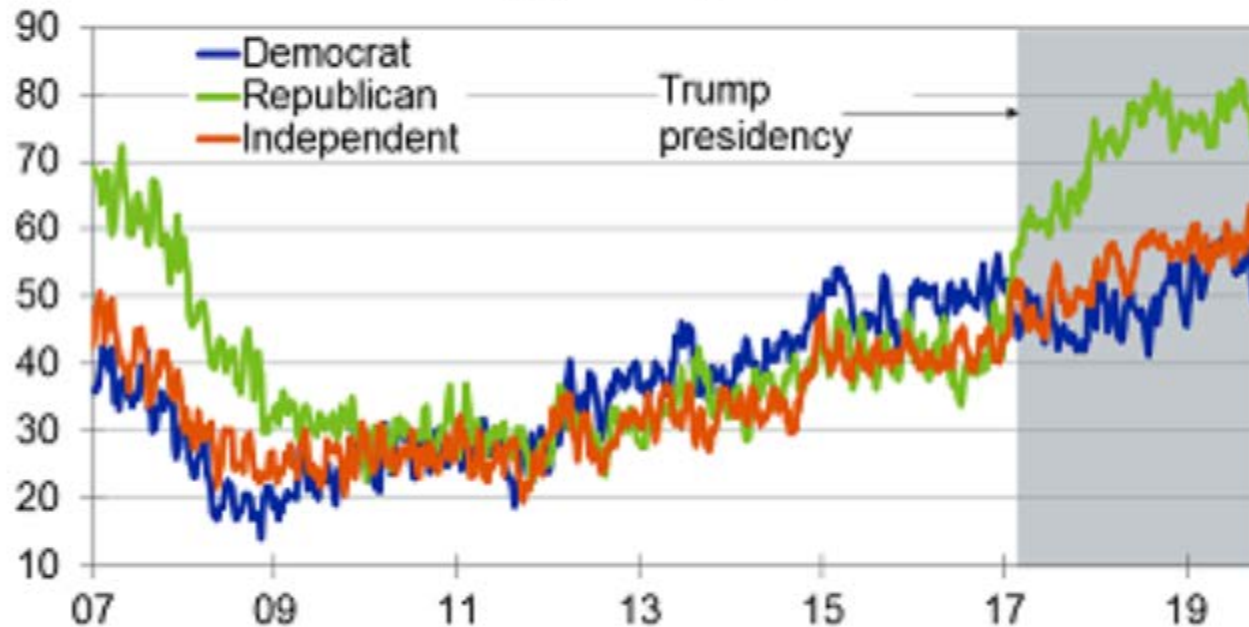
Sources: Bloomberg, Moody's Analytics

Election Prediction from Moody's – September 2019 Data

Table 2: Moody's Analytics U.S. Presidential Election Model Results
Historical test results and forecast

| | Actual election results | | Predicted election results | | | |
| | | | Incumbent party's electoral votes | | | |
Year	Incumbent party's electoral votes	Winning party	Pocketbook model	Stock market model	Unemployment model	Winning party
1980	49	Republican	105	75	115	Republican
1984	525	Republican	531	535	535	Republican
1988	426	Republican	504	494	504	Republican
1992	168	Democrat	141	172	133	Democrat
1996	379	Democrat	414	414	406	Democrat
2000	266	Republican	257	268	268	Republican
2004	286	Republican	274	291	274	Republican
2008	173	Democrat	164	174	174	Democrat
2012	332	Democrat	332	297	332	Democrat
2016	233	Republican	227	227	196	Republican
2020	N/A	N/A	351	289	332	Republican
State electoral votes incorrectly predicted, % of total:			7.9%	8.3%	7.5%	

Source: Moody's Analytics

Note: Revised Model Results – Moody's Predicted a Clinton Win in 2016

Turnout Will Be Key

Chart 4: Trump Is Favored to Win
How states will vote if nonincumbent turnout is average

Democrat
Republican

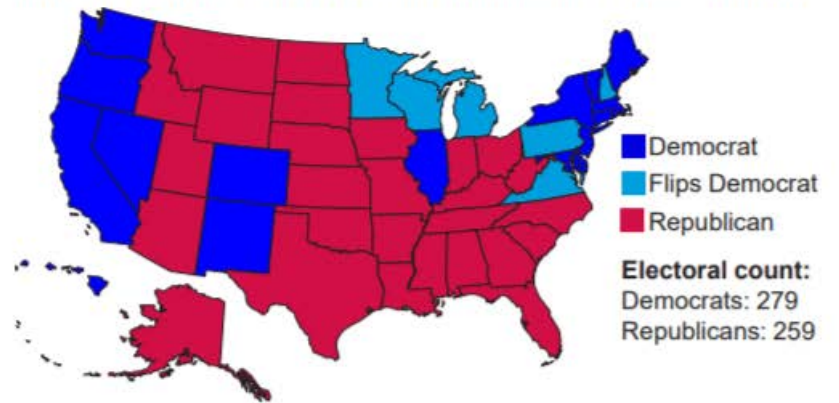Electoral count:
Democrats: 206
Republicans: 332
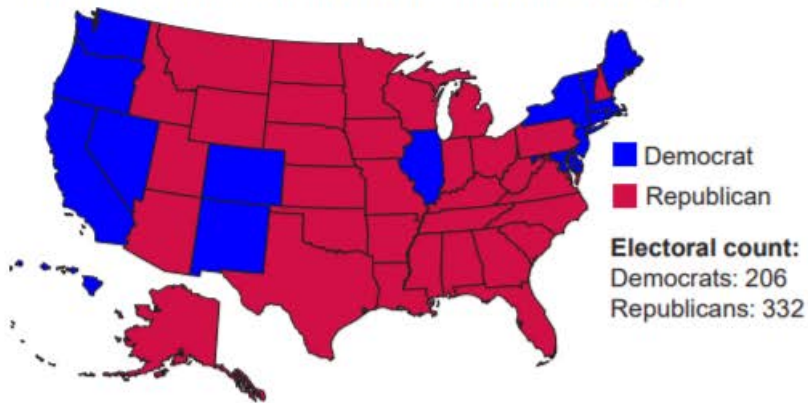
Source: Moody's Analytics

Note: Results reflect Sep 2019 forecast

Chart 5: Dems Win if Turnout Is High
How states will vote if nonincumbent turnout is historical maximum

Democrat
Flips Democrat
Republican

Electoral count:
Democrats: 279
Republicans: 259

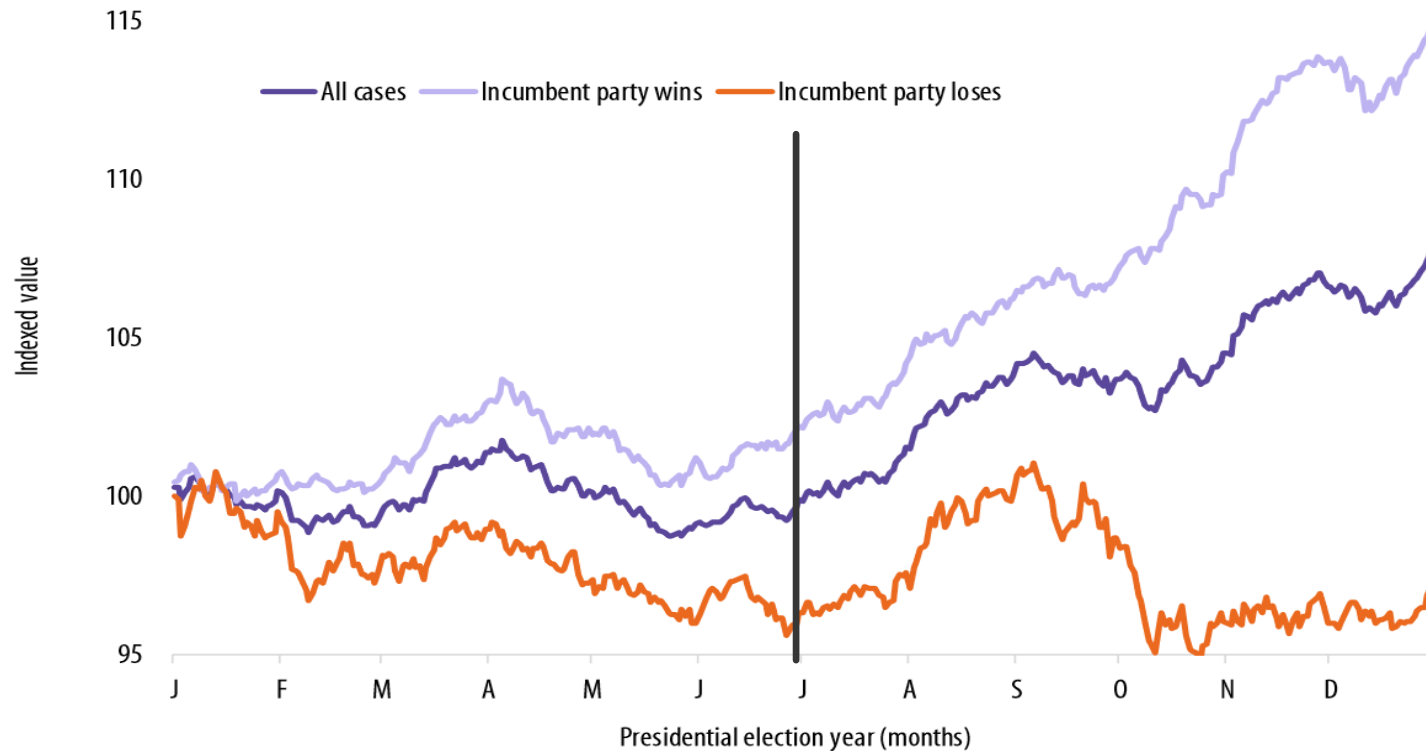Source: Moody's Analytics

Note: Results reflect Sep 2019 forecast

Impact of Key Variables on Likelihood of Trump Re-election

Variable	Impact Potential	Probability of Negative Movement	Net Impact
Turnout	🟥	Moderate	🟧
Approval Rating	🟨	Moderate	🟨
War/Foreign Crisis	🟥	High	🟥
Trade Wars/Tariffs	🟥	Low	🟨
Stock Market	🟥	High	🟥
Interest Rates	🟥	Low	🟨
Gas Price	🟥	Moderate	🟧
Unemployment Rate	🟨	High	🟧

Dow Jones Performance During Presidential Elections Years

- Indexed to 100 as of January 1st of each election year since 1990

- Big changes happen in the 2nd half of the year as the prospects for the winner become clearer

Legend: All cases — Incumbent party wins — Incumbent party loses

X-axis: Presidential election year (months)
Y-axis: Indexed value

Handicapping the House and Senate in 2020 – No Changes in Power

- House likely to remain controlled by Democrats

  - Republicans need to flip 20 seats with 30 Democrats in districts Trump won in 2016

  - 18 Republicans retiring (mostly in safe Republican seats) compared to 6 Democrats

  - Generic ballot asking which party voters support strongly favors Democrats

- Senate likely to remain controlled by Republicans

  - 34 seats in play of which Republicans hold 22, but only 2 of these are in districts carried by Clinton in 2016 (Colorado and Maine)

  - Of the remaining only North Carolina and Arizona are considered competitive

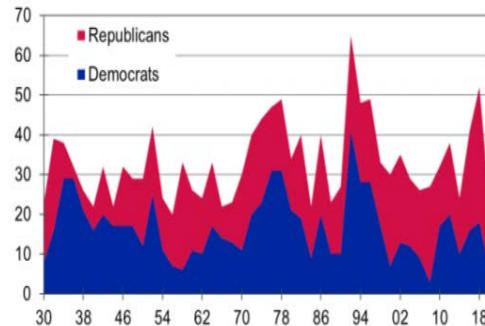### Dems Poised to Retain House Control
Congressional elections in presidential election yrs
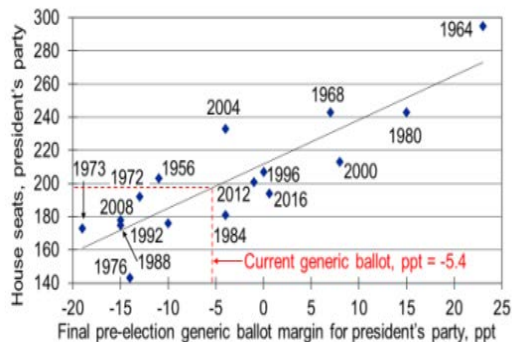
Sources: Clerk of the House, Gallup, RealClearPolitics, Moody's Analytics

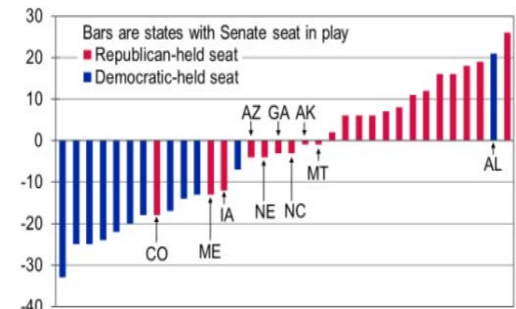### House GOP Racked by Retirements, Again
# of retiring U.S. House members, x-axis=congressional elections

Sources: Brookings Institution, Moody's Analytics

Senate Republicans Play Defense
Net approval rating of President Trump by state, ppt

Sources: Morning Consult, Moody's Analytics

Conclusions – Great Uncertainty at this juncture

- Very high probability that political power remains divided

  - Democrats likely to retain control of House under all scenarios anticipated

  - This will limit dramatic actions on most economic and fiscal issues

- Policies if Trump Wins

  - Additional federal spending, lower taxes, lower regulations, moderating trade war with lower tariffs

- Policies if Democrat Wins

  - Expansion of healthcare services and spending – dramatic reforms are possible

  - Attempts to repeal Tax Cut Act and to raise income taxes

  - Reduction in trade tensions and in tariffs which will likely be eliminated

  - Significant increase in regulatory actions – especially environment/climate/energy

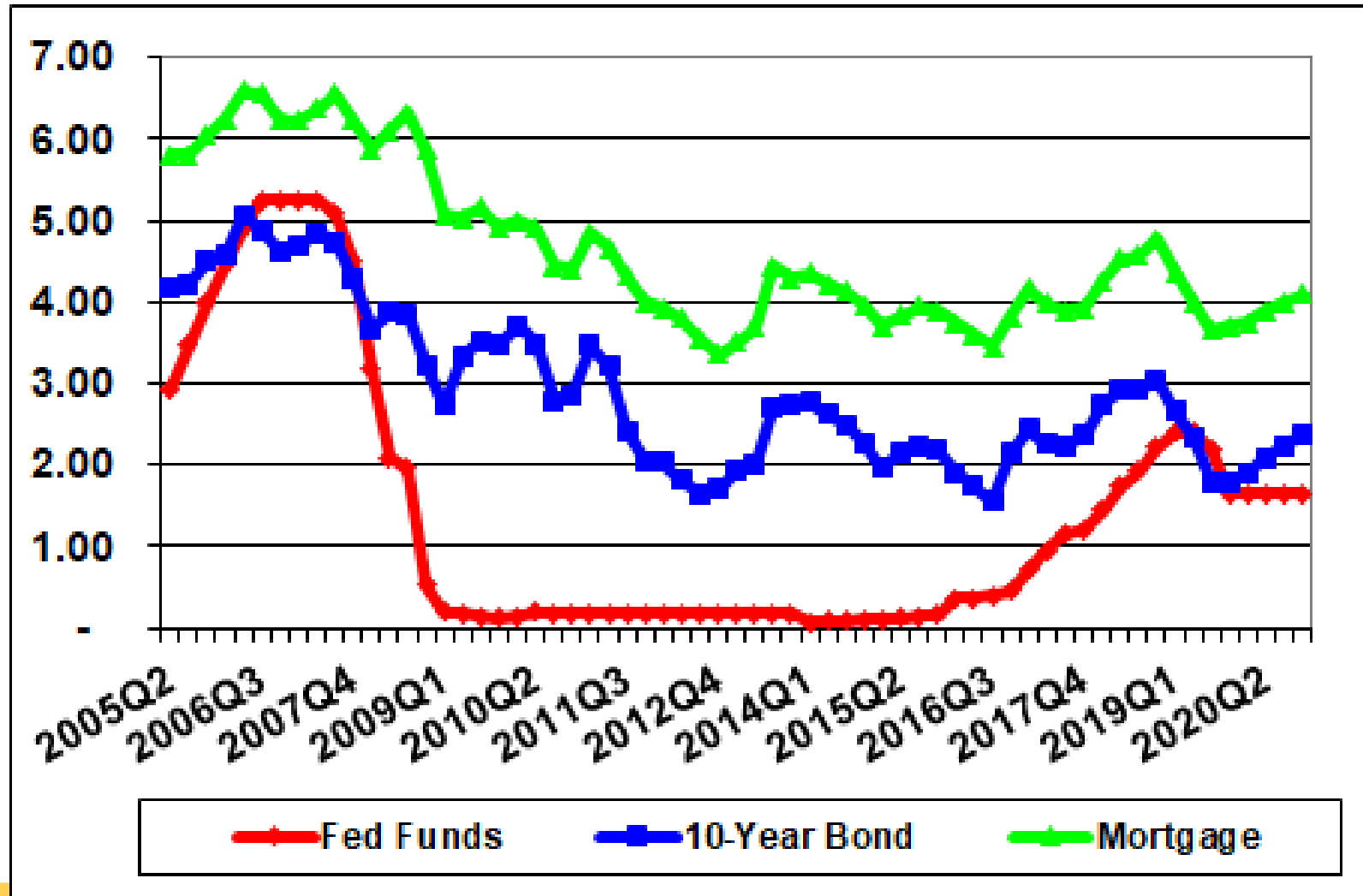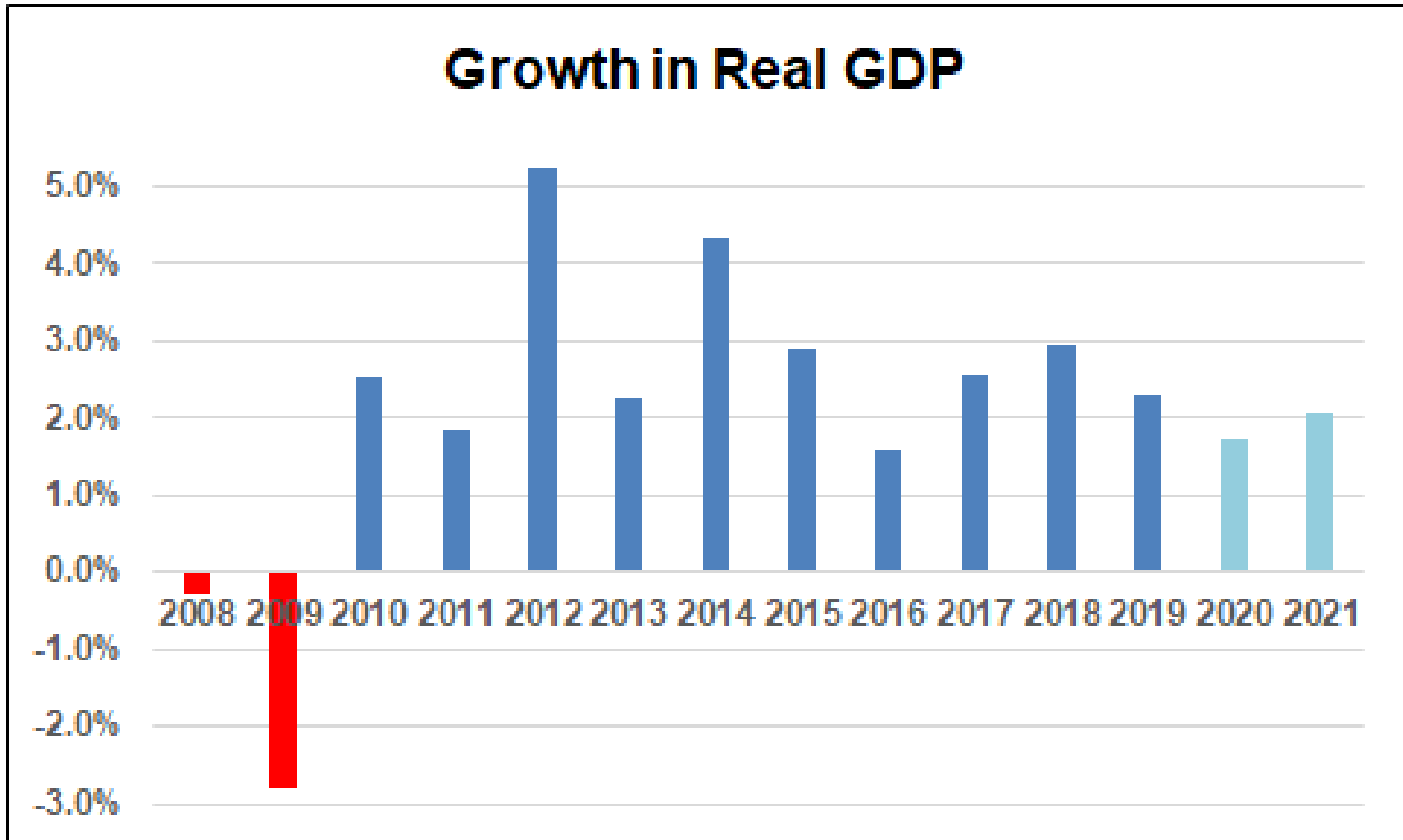| Scenario	Probability	President	Senate	House
Trump wins big	10%			
Trump wins small	45%			
Democrat wins small	40%			
Democrat wins big	5%			

U.S. Forecast

INTEREST RATES
Reversion to normal yield curve as inflation increases slowly

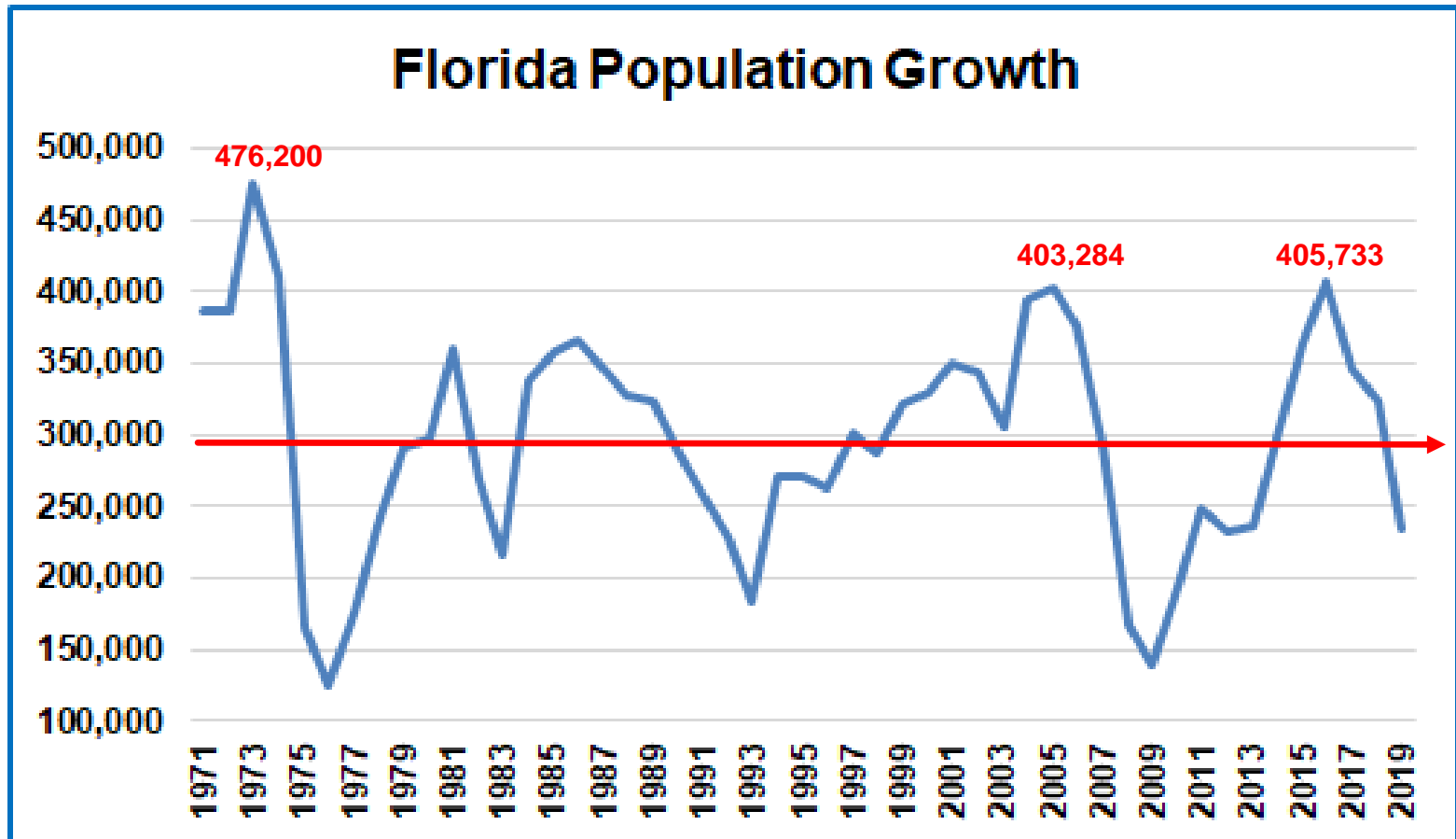# GDP Growth – good but not great with downside risk
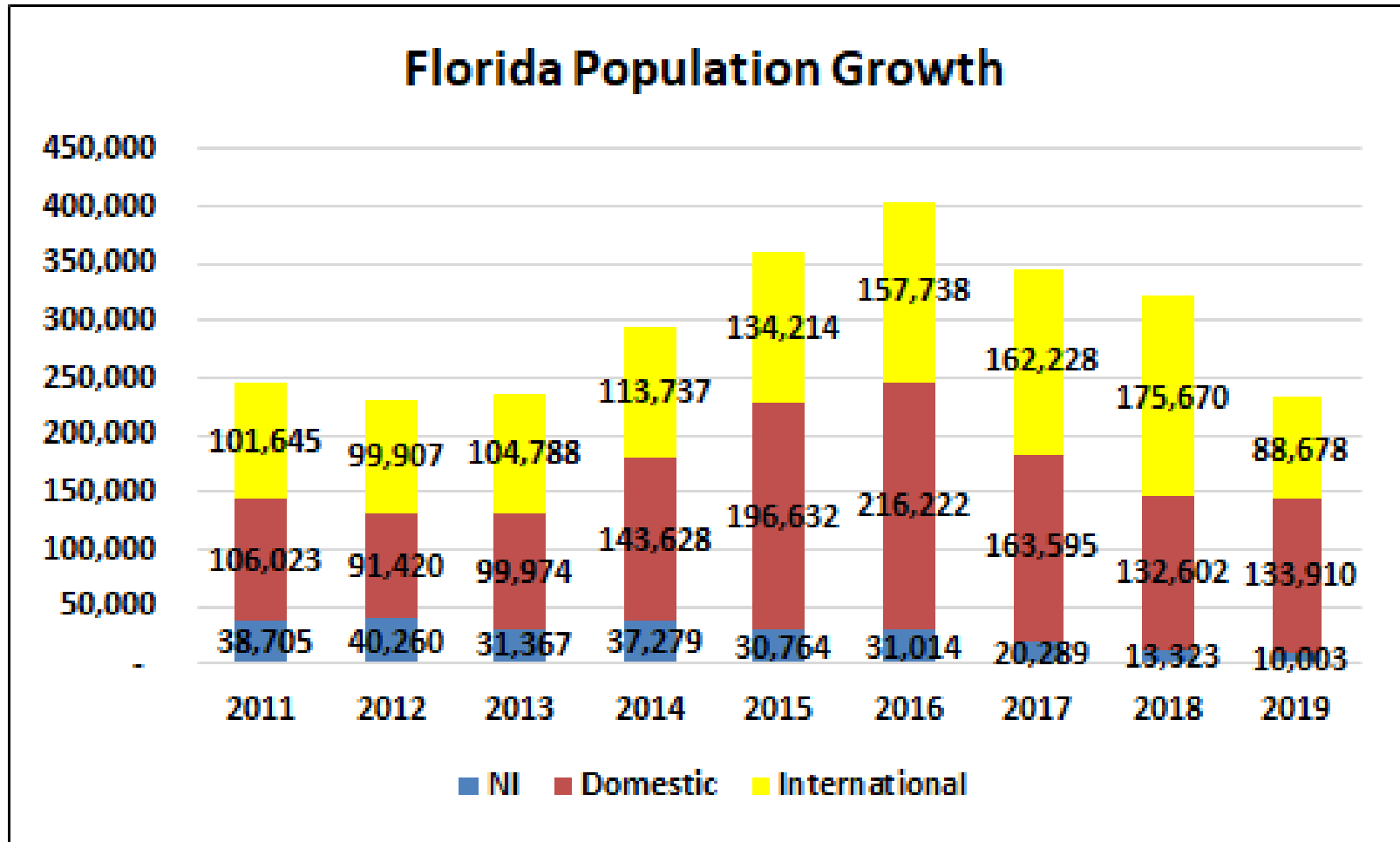

Growth in Real GDP

Forecast for Florida

**Population growth peaked in 2016 slowing ever since
By 2019 growth slowed to below average since 1970 = 300,000**

Florida Population Growth

476,200

403,284

405,733

Components of Florida's population growth – slowdown in domestic migration and a big drop in international migration

Florida Population Growth

Year	NI	Domestic	International
2011	38,705	106,023	101,645
2012	40,260	91,420	99,907
2013	31,367	99,974	104,788
2014	37,279	143,628	113,737
2015	30,764	196,632	134,214
2016	31,014	216,222	157,738
2017	20,289	163,595	162,228
2018	13,323	132,602	175,670
2019	10,003	133,910	88,678

Legend: ■ NI ■ Domestic ■ International

Note on Population Data for Florida

- There are two sources of population data for Florida: (a) Census and (b) Bureau of Economic and Business Research ("BEBR") at the University of Florida

- BEBR makes the official population estimates for the State of Florida used for revenue sharing purposes among other applications

- Generally, the two sources track closely except towards the end of each decade, as is now the case.

- We use the Census data. BEBR estimates for 2018-19 show a big reversal of trend which makes us skeptical.
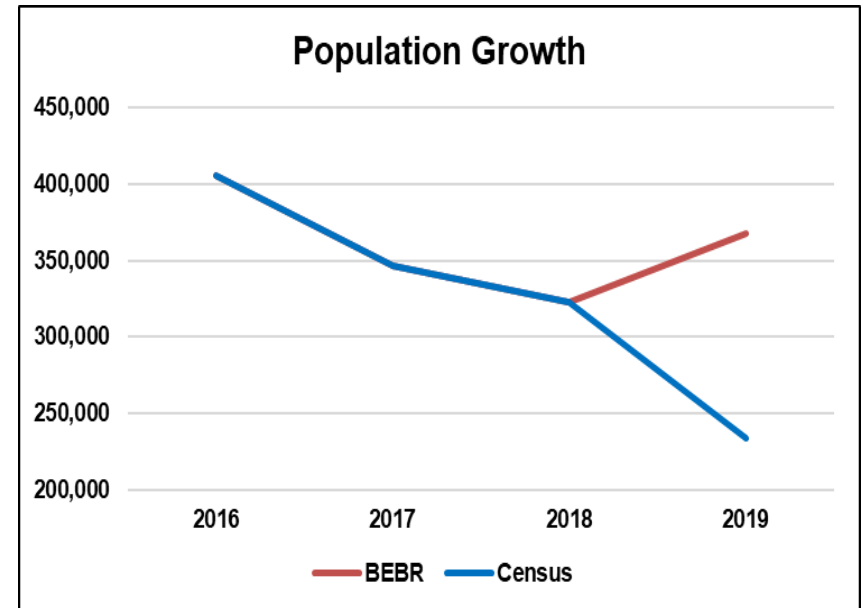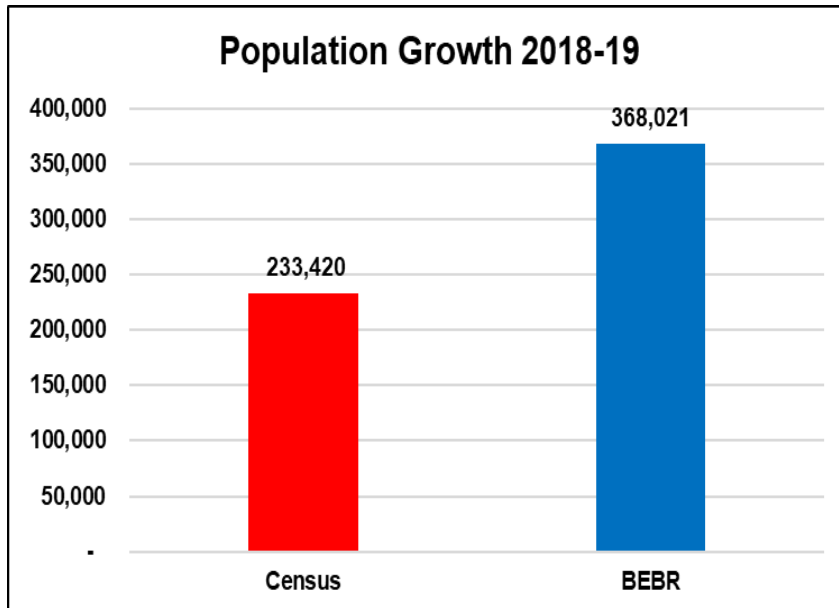
Top 10 Metropolitan Areas in Numeric Growth: 2017 to 2018

| Rank	Name	April 1, 2010 (Estimates base)	July 1, 2017	July 1, 2018	Numeric Growth
1	Dallas-Fort Worth-Arlington, TX	6,426,222	7,407,944	7,539,711	131,767
2	Phoenix-Mesa-Scottsdale, AZ	4,193,127	4,761,694	4,857,962	96,268
3	Houston-The Woodlands-Sugar Land, TX	5,920,487	6,905,695	6,997,384	91,689
4	Atlanta-Sandy Springs-Roswell, GA	5,286,750	5,874,249	5,949,951	75,702
5	Orlando-Kissimmee-Sanford, FL	2,134,402	2,512,917	2,572,962	60,045
6	Seattle-Tacoma-Bellevue, WA	3,439,805	3,884,469	3,939,363	54,894
7	Austin-Round Rock, TX	1,716,321	2,115,230	2,168,316	53,086
8	Riverside-San Bernardino-Ontario, CA	4,224,966	4,570,427	4,622,361	51,934
9	Tampa-St. Petersburg-Clearwater, FL	2,783,462	3,091,225	3,142,663	51,438
10	Washington-Arlington-Alexandria, DC-VA-MD-WV	5,636,363	6,200,001	6,249,950	49,949

Top 10 Metropolitan Areas in Percentage Growth: 2017 to 2018

Rank	Name	April 1, 2010 (Estimates base)	July 1, 2017	July 1, 2018	Percent Growth
1	Midland, TX	141,671	170,948	178,331	4.3
2	Myrtle Beach-Conway-North Myrtle Beach, SC-NC	376,555	463,386	480,891	3.8
3	St. George, UT	138,115	165,859	171,700	3.5
4	Lakeland-Winter Haven, FL	602,098	685,830	708,009	3.2
5	Odessa, TX	137,136	157,173	162,124	3.2
6	The Villages, FL	93,420	124,933	128,754	3.1
7	Greeley, CO	252,847	305,274	314,305	3.0
8	Boise City, ID	616,566	710,080	730,426	2.9
9	Bend-Redmond, OR	157,730	186,807	191,996	2.8
10	Provo-Orem, UT	526,885	617,751	633,768	2.6

2017-18 Population Growth

I-4 Corridor · South Florida
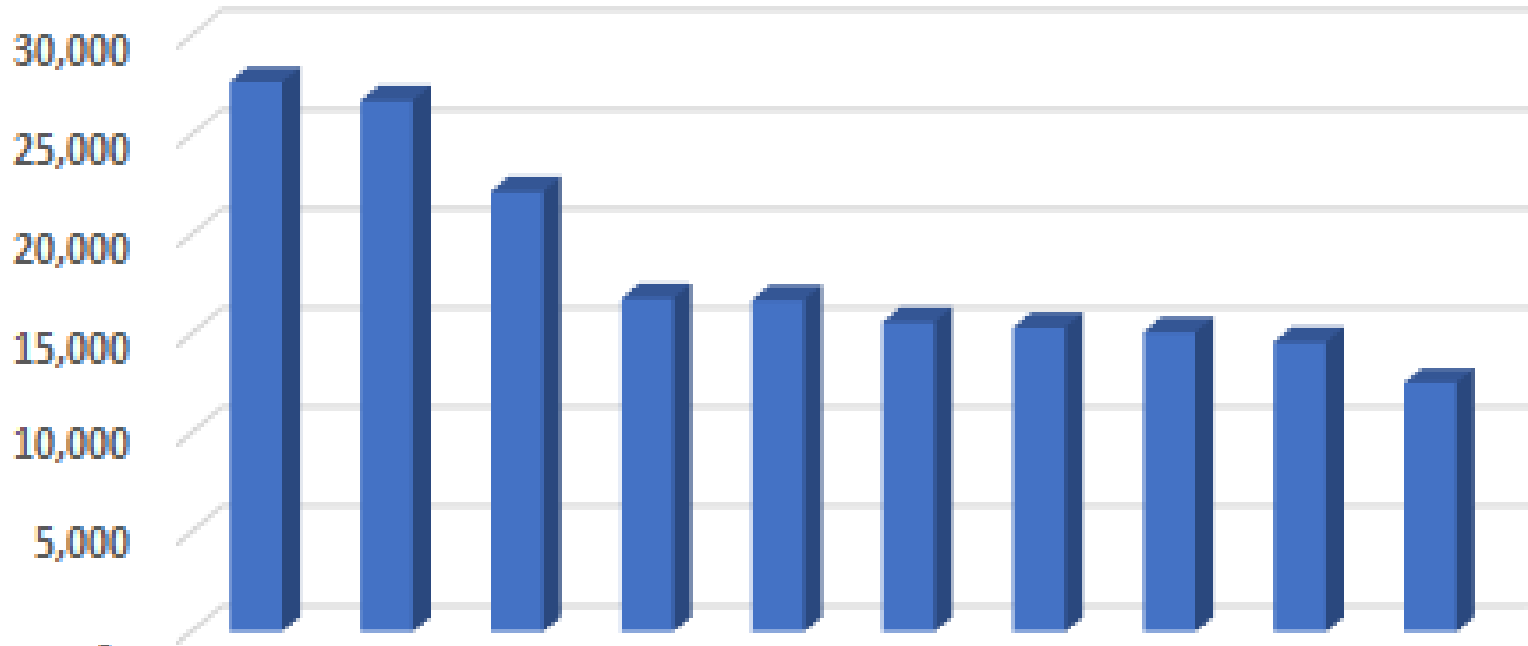
Orange · Hillsborough · Polk · Broward · Miami-Dade · Palm Beach · Osceola · Lee · Pasco · Duval

County level data for 2019 not yet available, but component growth for 2018 show important trends

Components of 2018 Population Growth
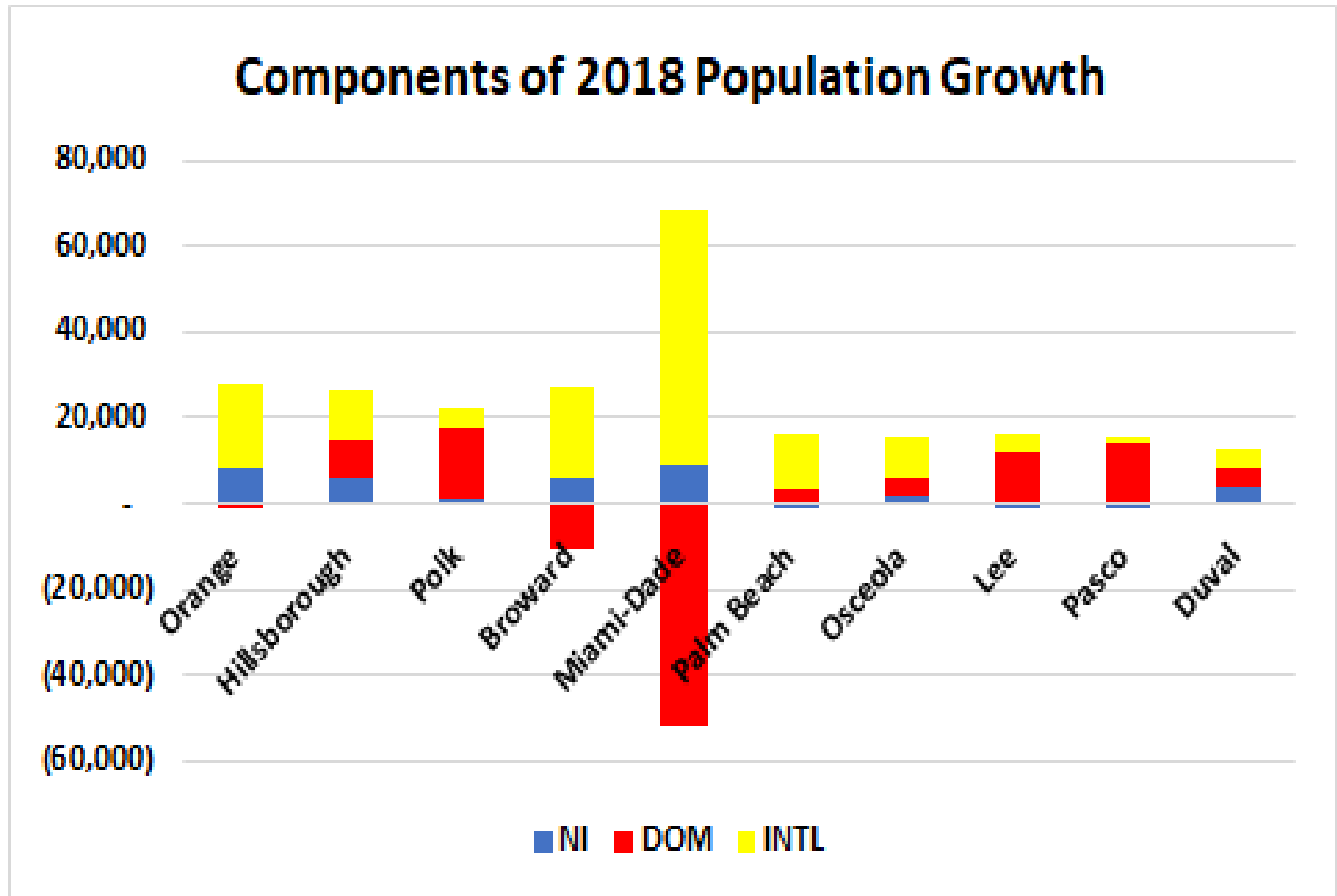
After peaking in 2015 job growth slowed but the recovered
However, job growth in 2019 appears high compared to population gains
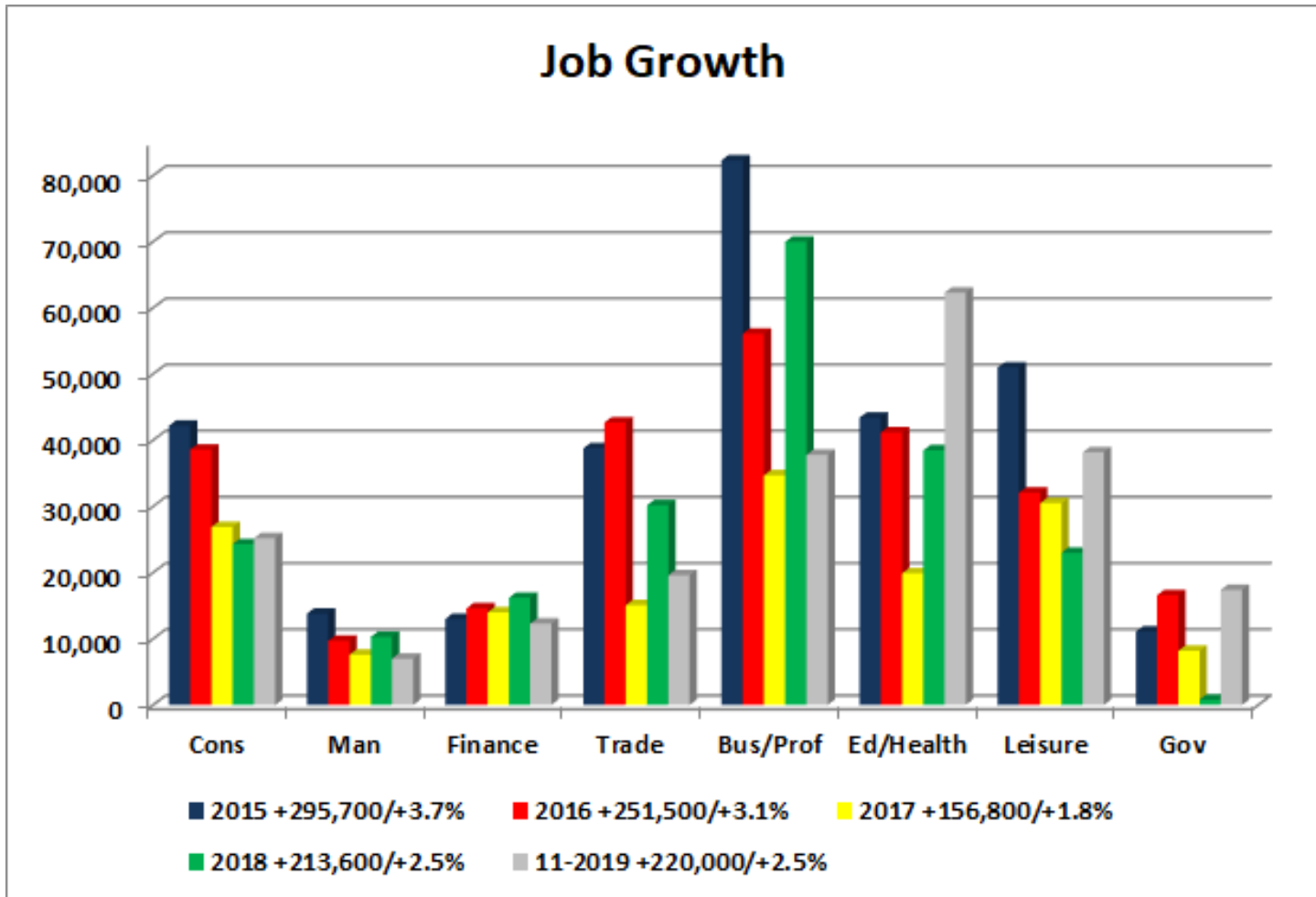
Labor Market Conditions in Florida's Metro Areas

Data as of December 2019	Unemployment Rate	Last 12 Months	% Change Jobs
Florida	3.0%	212,000	2.4%
Cape Coral-Ft. Myers	2.5%	9,500	3.5%
Ft. Walton Bch	2.3%	2,000	1.7%
Deltona/Daytona	3.0%	2,900	1.4%
Gainesville	2.5%	1,300	0.9%
Homossa Springs	4.0%	400	1.2%
Jacksonville	2.6%	22,400	3.1%
Lakeland-Winter Haven	3.0%	3,600	1.6%
South Florida	2.2%	46,500	1.7%
Ft. Lauderdale	2.5%	13,700	1.6%
Miami	1.8%	26,700	2.2%
West Palm Beach	2.7%	6,100	1.0%
Naples	2.5%	5,000	3.3%
North Port-Sarasota-Bradenton	2.6%	7,900	2.6%
Ocala	3.2%	2,000	1.9%
Orlando	2.5%	42,700	3.2%
Palm Bay	2.7%	6,000	2.6%
Panama City	2.9%	-500	-0.6%
Pensacola	2.7%	1,500	0.8%
Port St. Lucie	3.0%	3,000	1.9%
Punta Gorda	3.0%	2,100	4.3%
Sebastian-Vero	3.1%	1,900	3.5%
Sebring	3.8%	500	1.9%
Tallahassee	2.6%	4,400	2.4%
Tampa-St. Pete	2.6%	30,300	2.2%

- 25 of Florida's 26 MSAs had job gains in 2019

- Total job gains lead by Orlando, Tampa, Miami and Jacksonville

- % gains noteworthy in Punta Gorda, Vero, and Ft. Myers

- Unemployment rates are at an all time low

Residential Building Permits

- While still well below 2005 peak, permits have accelerated over the last 4 years

- Permits have pushed higher even as population growth has slowed

- The ratio of population growth/permits has dropped to levels last seen in 2004
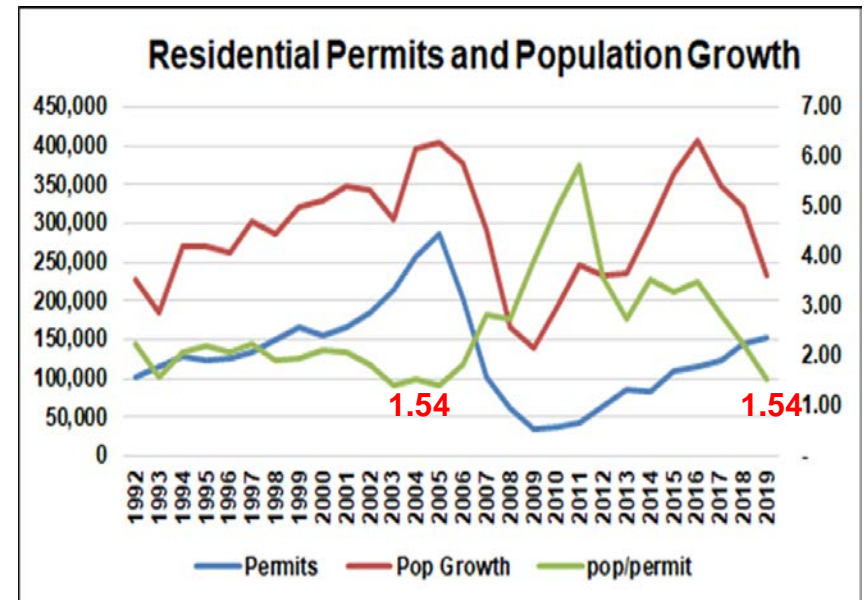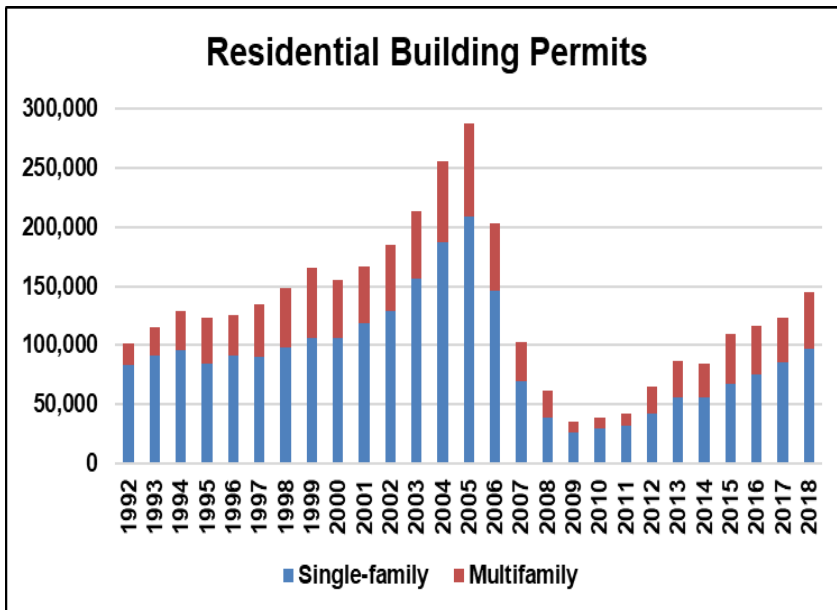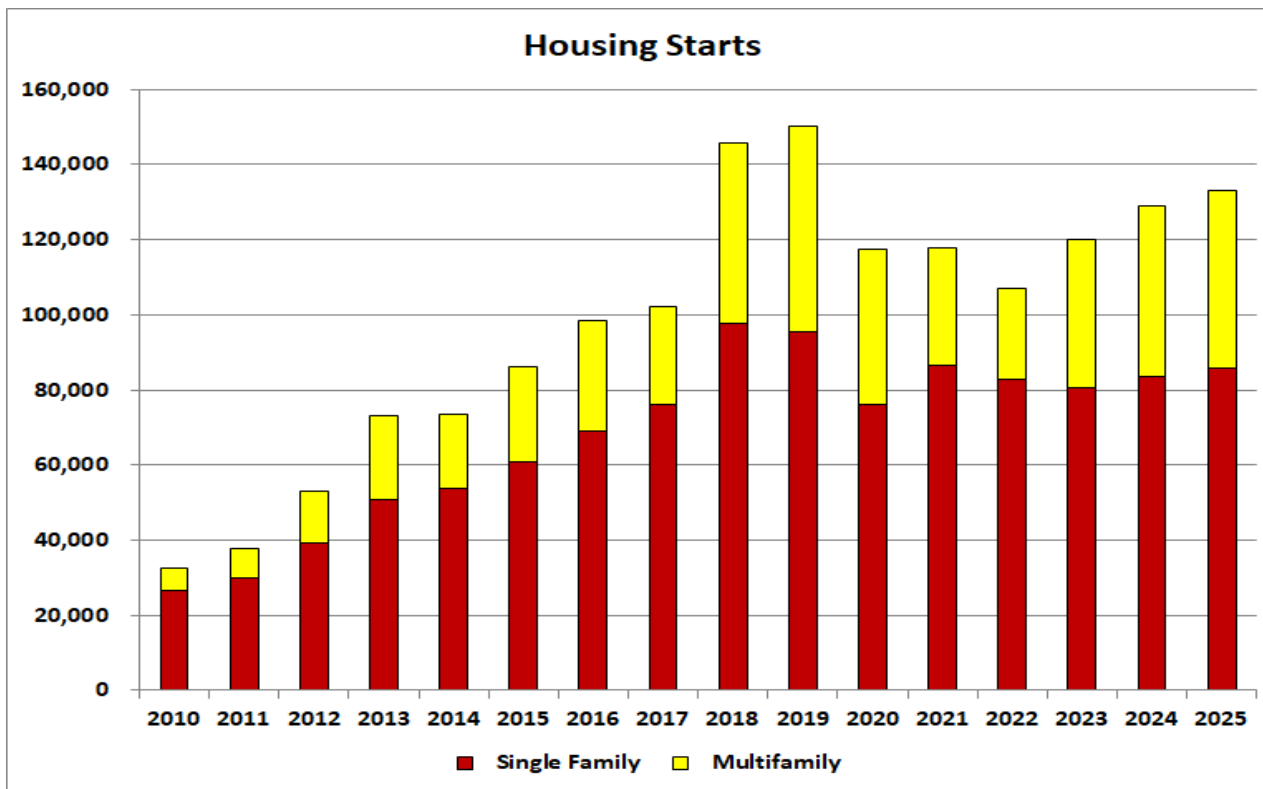
Lower trajectory for growth in population and employment – remaining 2nd only to Texas

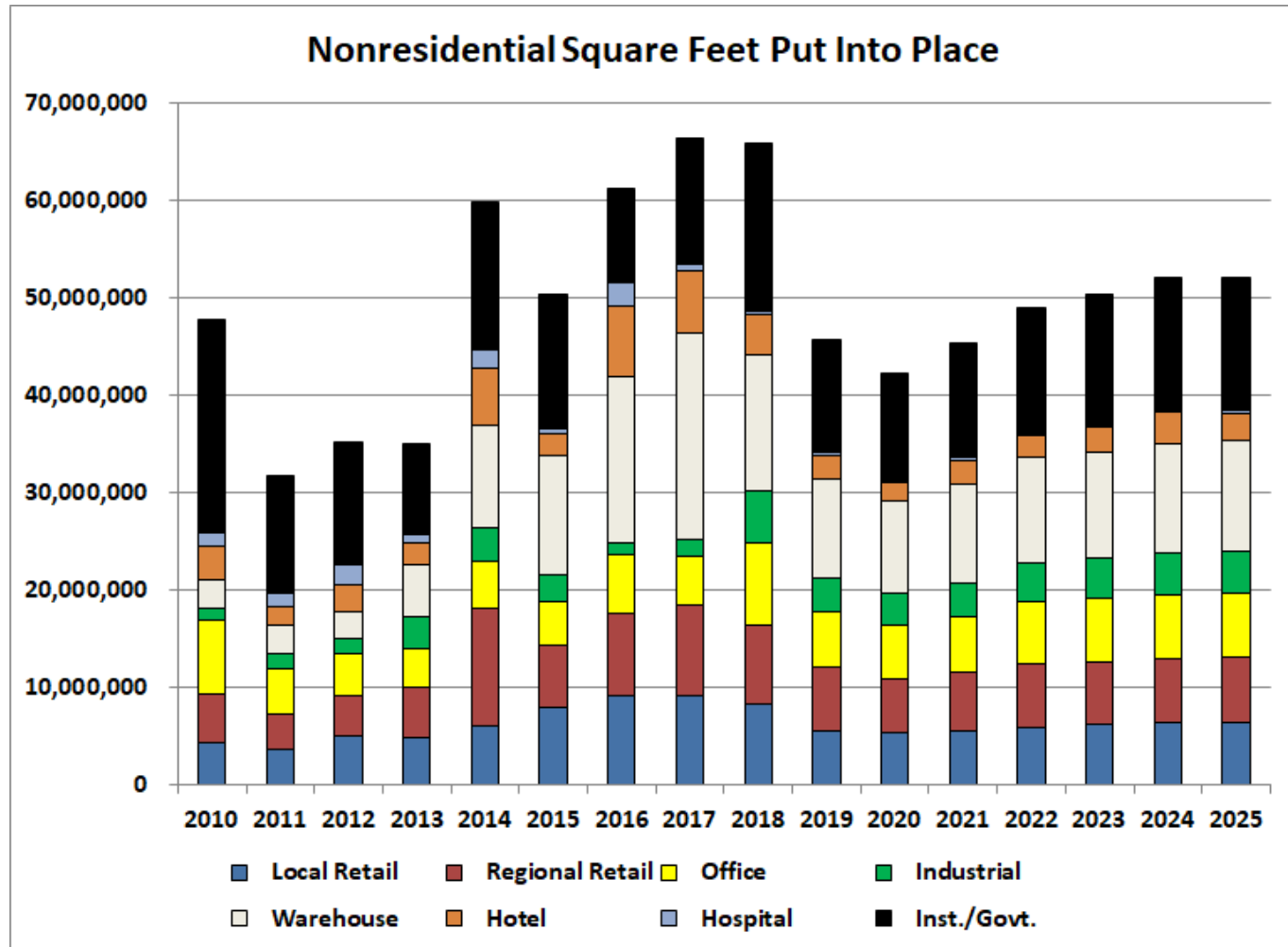

Growth in Population and Employment
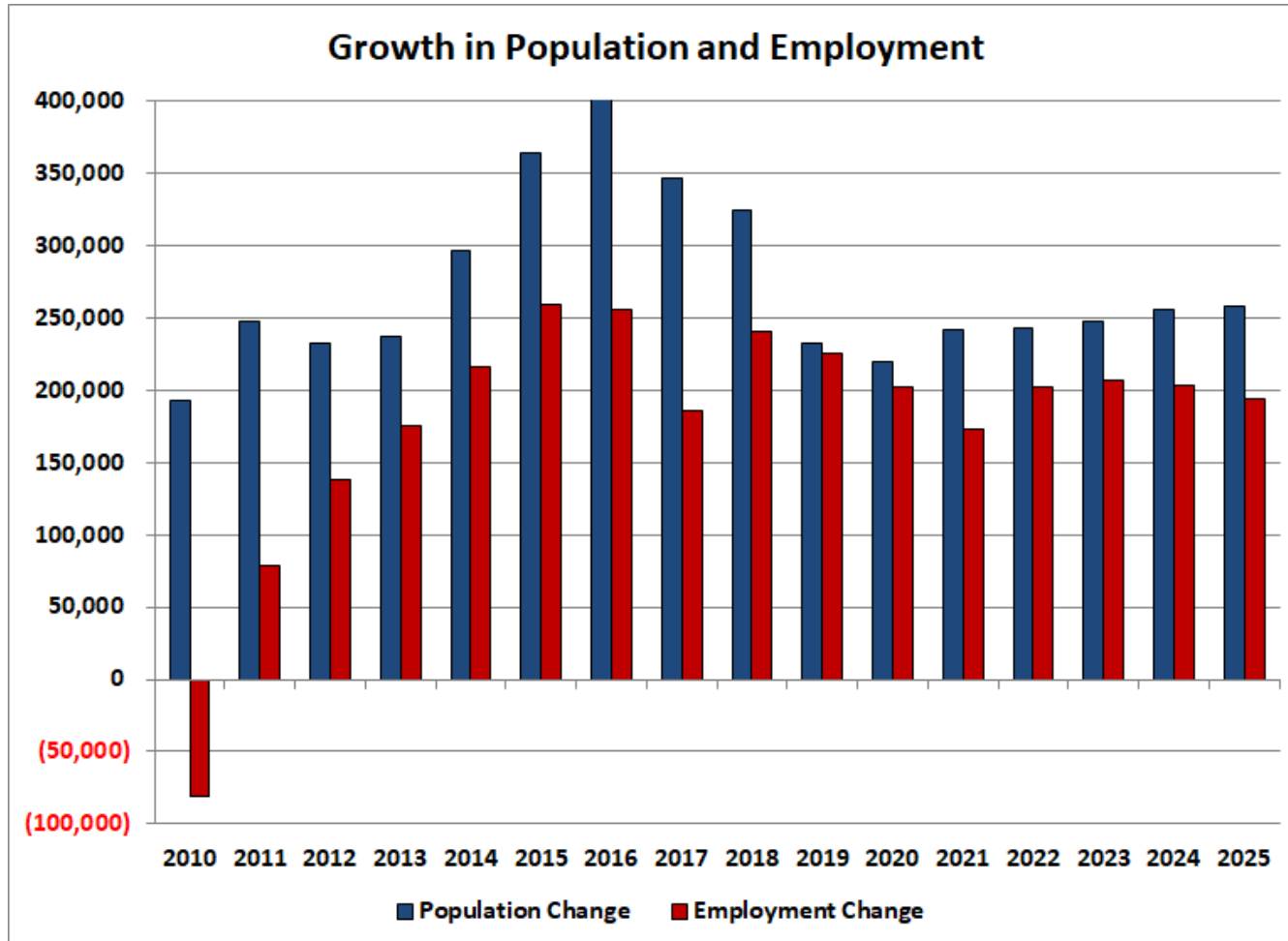
Housing Starts dip in 2020

- Multifamily inventory builds in 2020 depressing multi starts in 2021-22

- Single-family starts slow in 2020 as market equilibrates to lower trajectory for population growth

Nonresidential construction volume dropped 2019 and will remain near these levels over the next few years

Nonresidential Square Feet Put Into Place

Legend: Local Retail, Regional Retail, Office, Industrial, Warehouse, Hotel, Hospital, Inst./Govt.

# Implications for FEFPA Members

Membership and Population Growth

Population Growth and Membership K-12 2010-2019

- The relationship is complex and volatile with a correlation of just 0.21

- Ratio of growth in membership/population varied from 5% to 12.5% since 2010

- Part of the explanation is the wide variation across Florida's counties and the rapid increase in private school enrollment
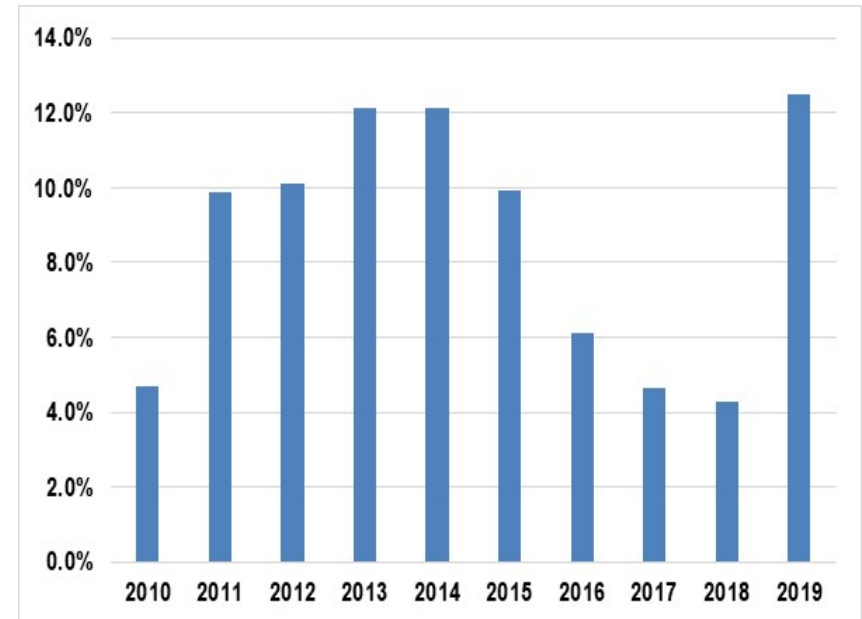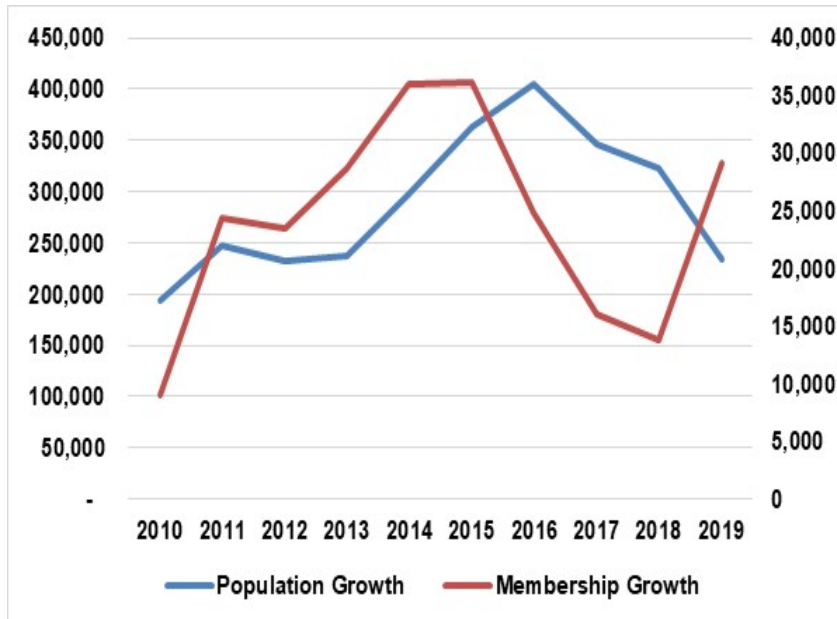
Membership Growth – Fastest and Slowest Growth by County 2010-2019

- Wide variations in membership growth across Florida's counties

- Variations are largely driven by population growth and demographic forces

- 23 counties lost membership – mostly rural counties with low levels of population and employment with the notable exceptions of Pinellas, Charlotte, Escambia and Bay
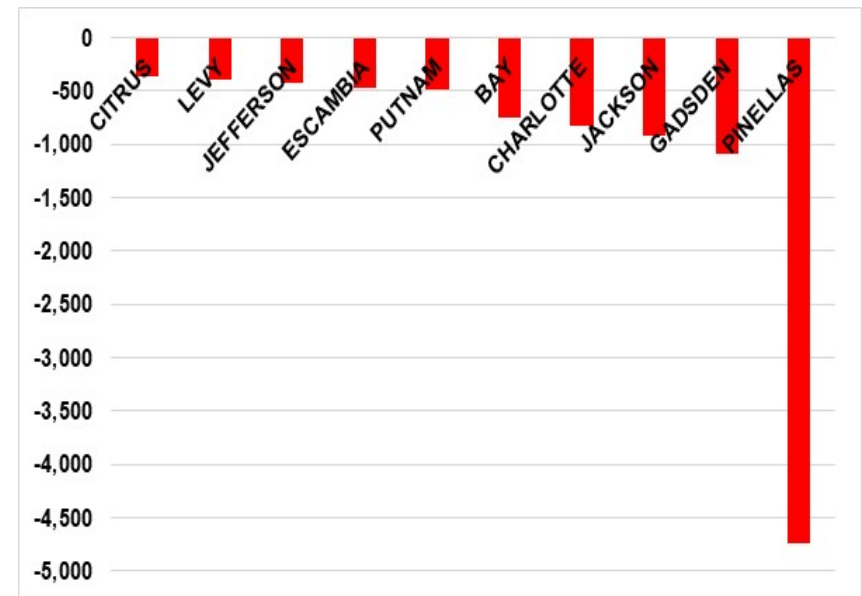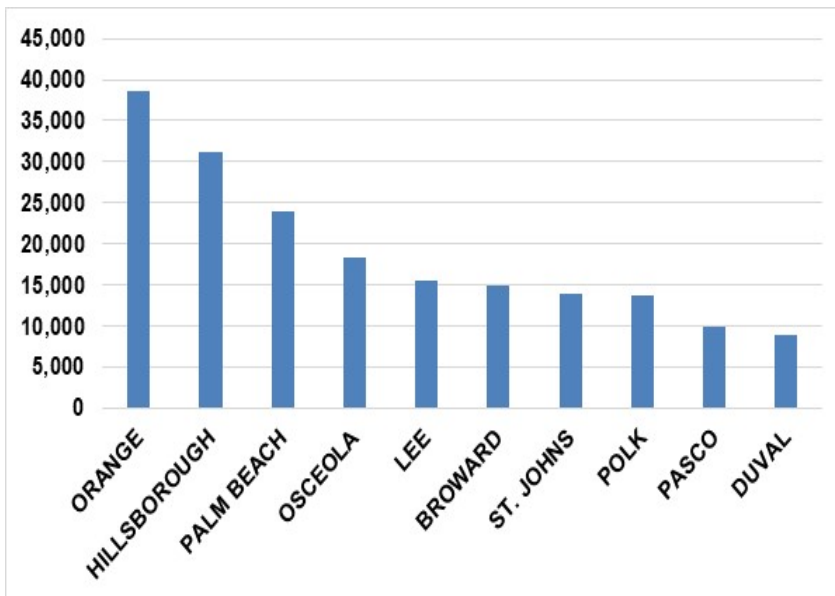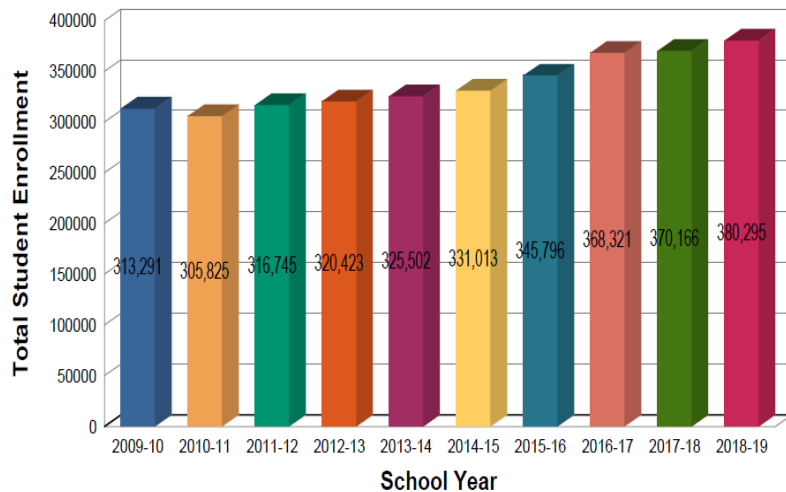
Private school enrollment has growth rapidly

- Private schools now account for almost 12% of total enrollment statewide

- Private school enrollment varies greatly by county

- These trends will continue over the near term encouraged by federal and State policies

Private School Student Enrollment 2009-10 to 2018-19

School Year	Total Student Enrollment
2009-10	313,291
2010-11	305,825
2011-12	316,745
2012-13	320,423
2013-14	325,502
2014-15	331,013
2015-16	345,796
2016-17	368,321
2017-18	370,166
2018-19	380,295

Districts with 12% or more of Total PK-12 Students Enrolled in Private Schools

| DISTRICT	PUBLIC SCHOOL	% PUBLIC	PRIVATE SCHOOL	% PRIVATE	TOTAL PK-12
JEFFERSON	769	68.3%	357	31.7%	1,126
MARTIN	18,624	68.3%	8,656	31.7%	27,280
ESCAMBIA	39,974	80.8%	9,497	19.2%	49,471
DADE	350,456	82.5%	74,316	17.5%	424,772
DUVAL	130,245	83.7%	25,434	16.3%	155,679
BRADFORD	3,165	85.4%	539	14.6%	3,704
PINELLAS	100,987	85.8%	16,770	14.2%	117,757
ALACHUA	29,845	86.4%	4,678	13.6%	34,523
BROWARD	270,978	86.7%	41,460	13.3%	312,438
ORANGE	209,114	86.8%	31,886	13.2%	241,000
SEMINOLE	68,289	87.2%	10,056	12.8%	78,345
HAMILTON	1,611	87.6%	227	12.4%	1,838
LAKE	43,947	87.7%	6,176	12.3%	50,123

Examples of variations in sources of population growth that impact membership changes
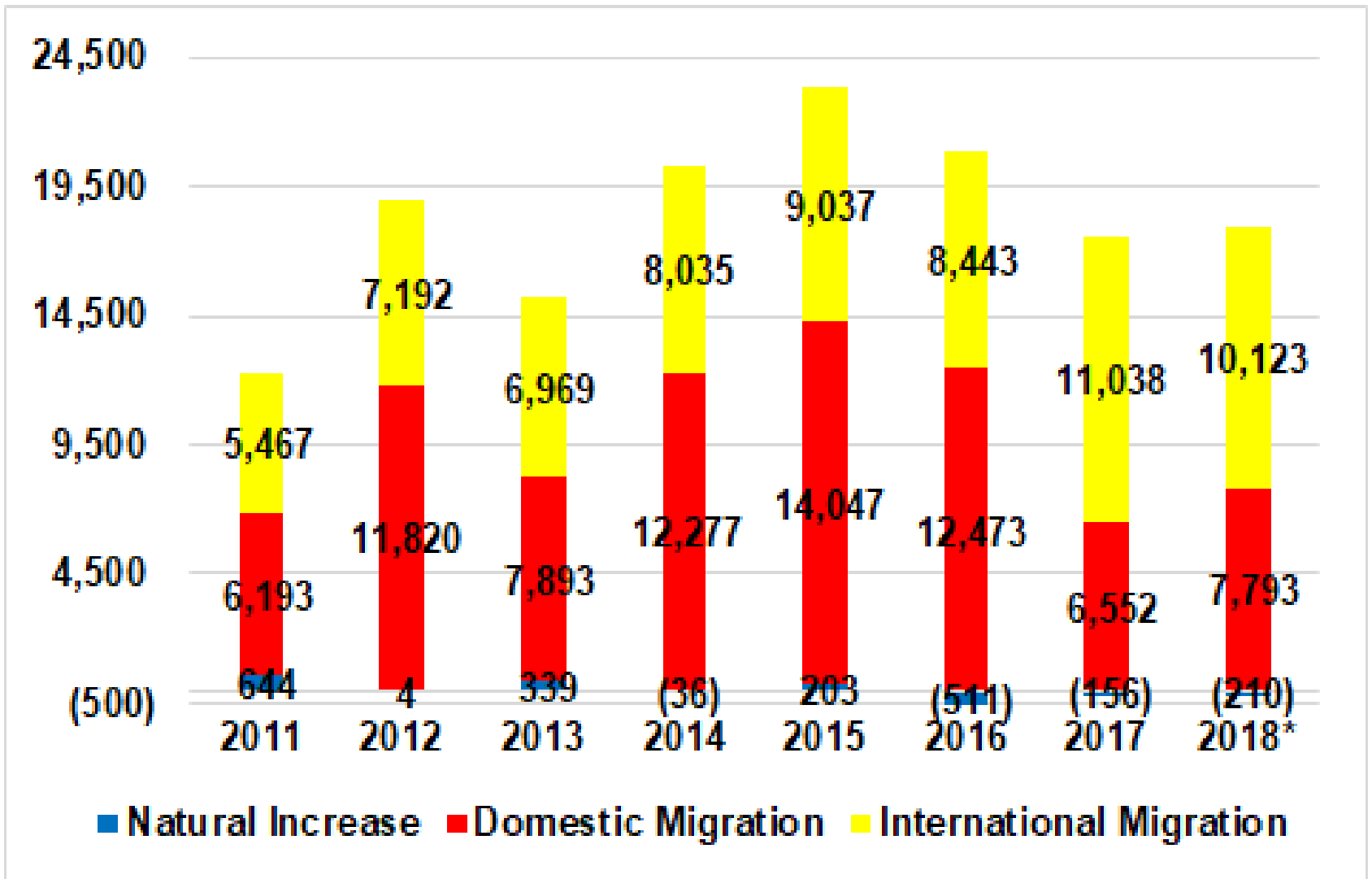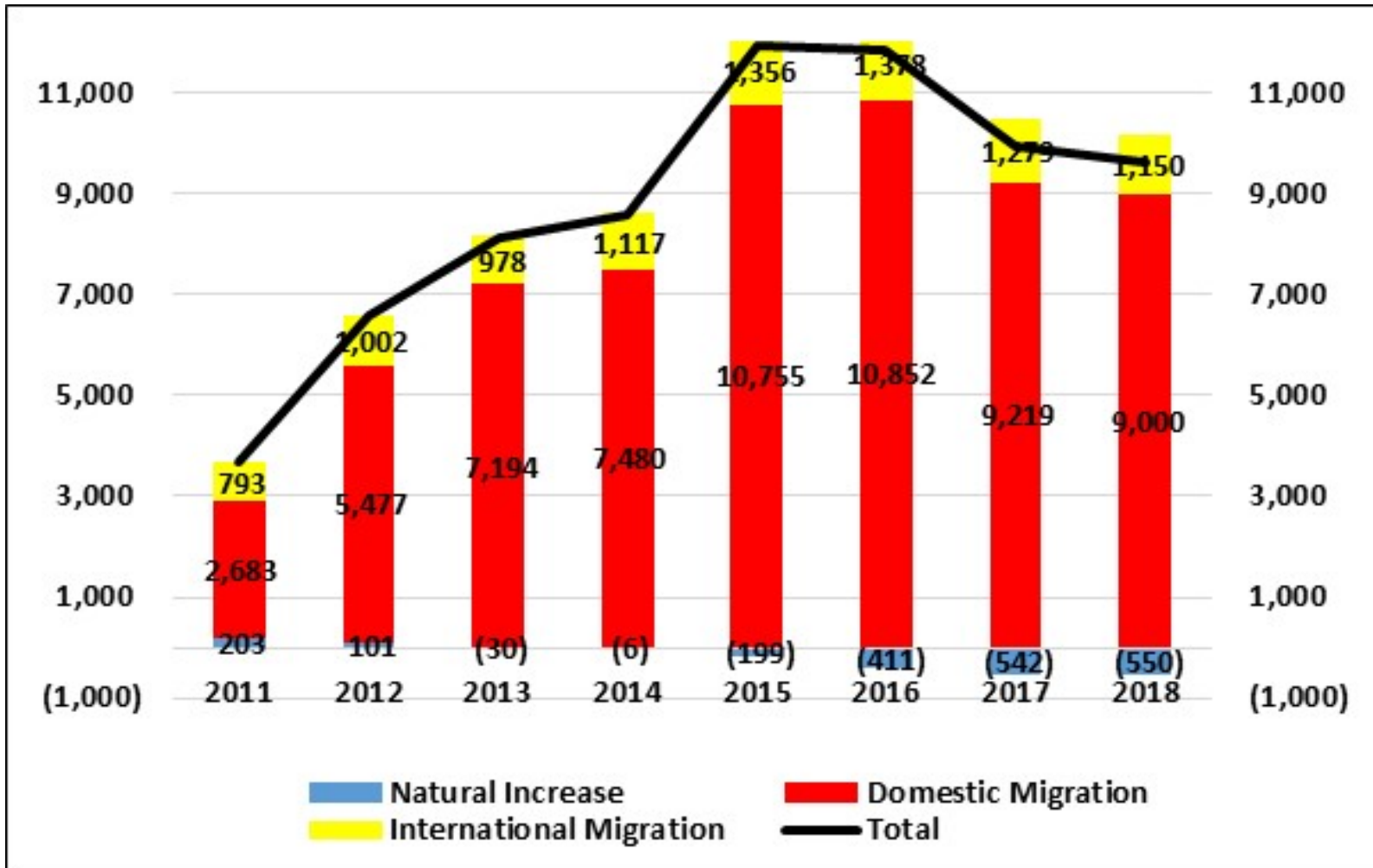
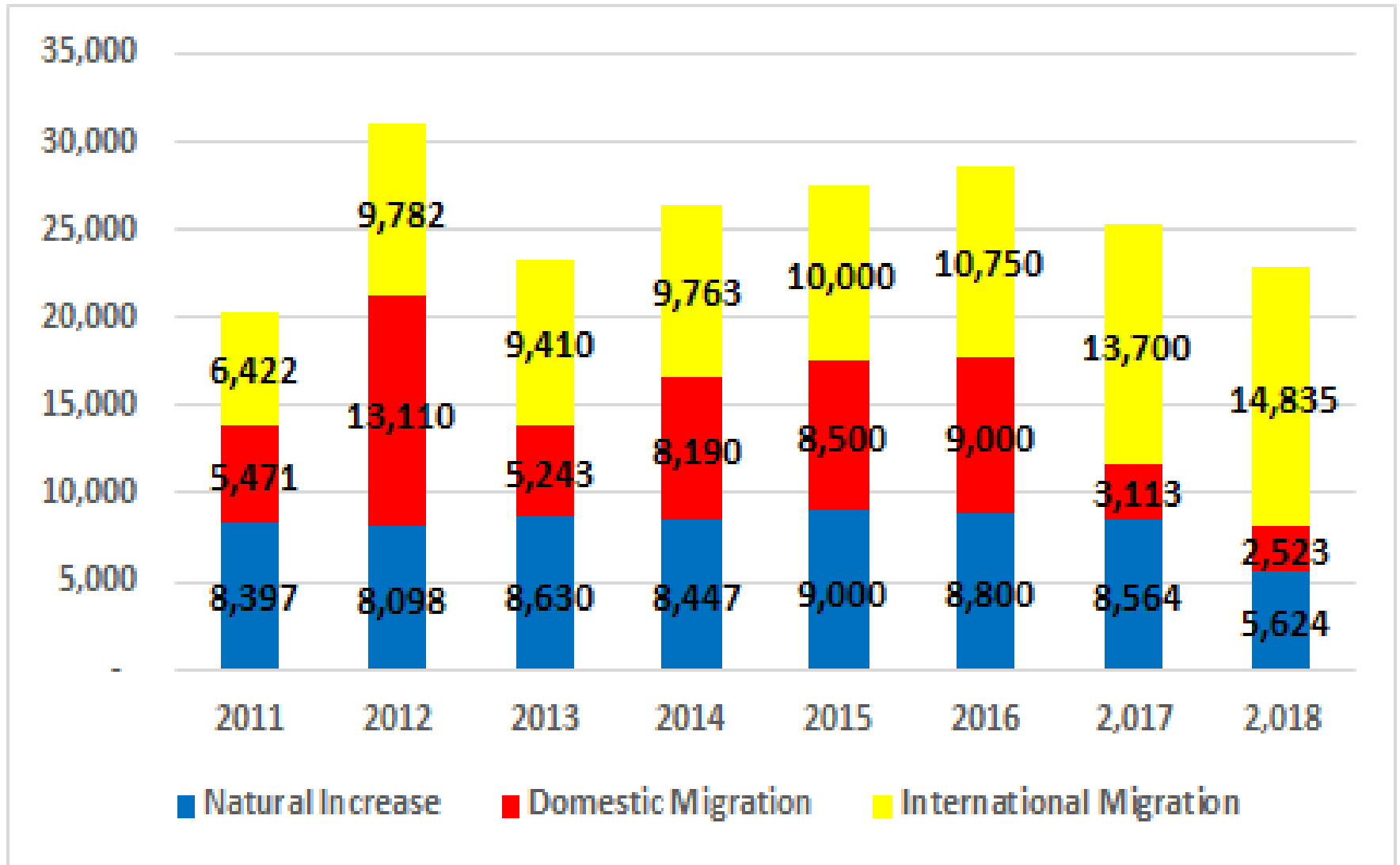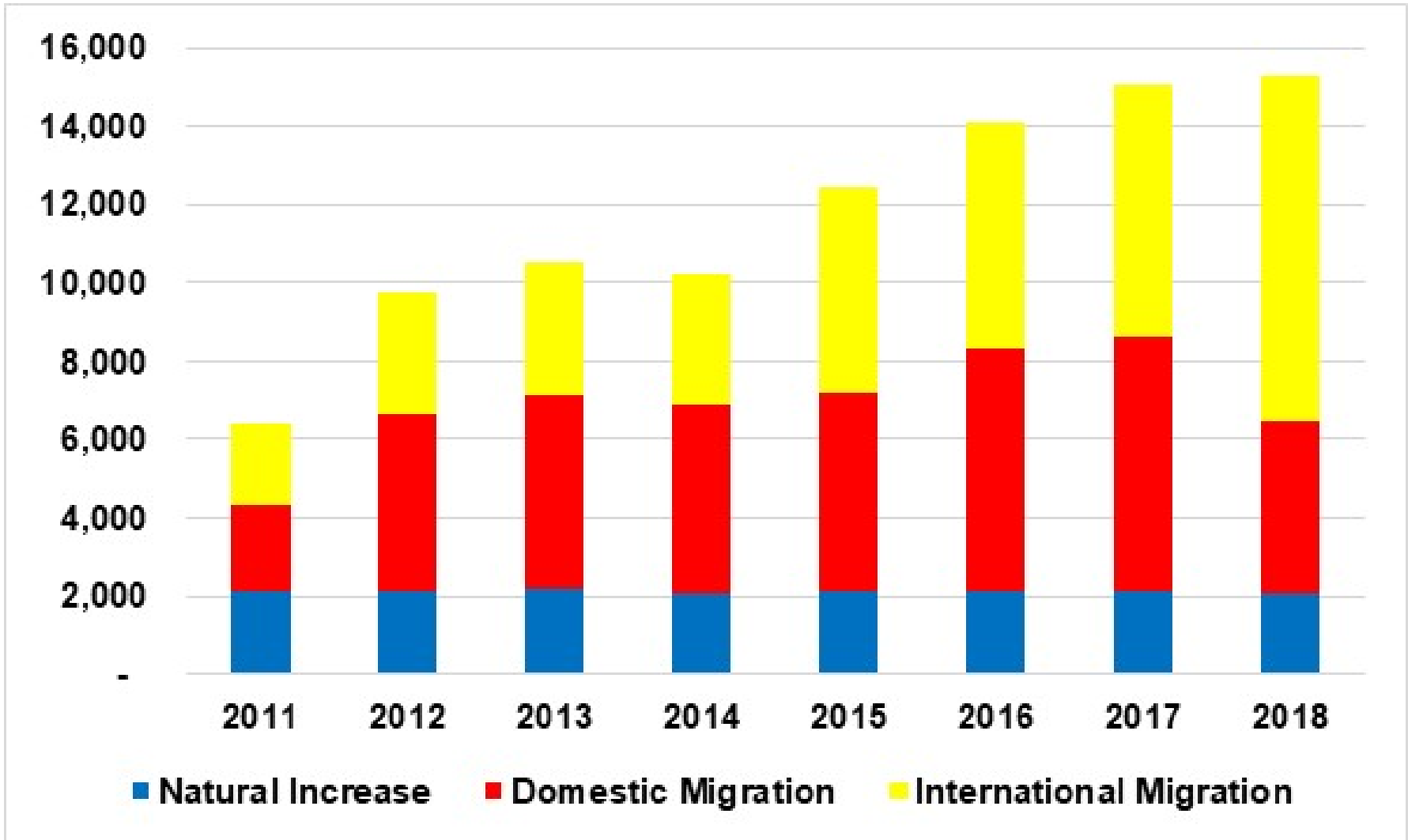# Manatee County
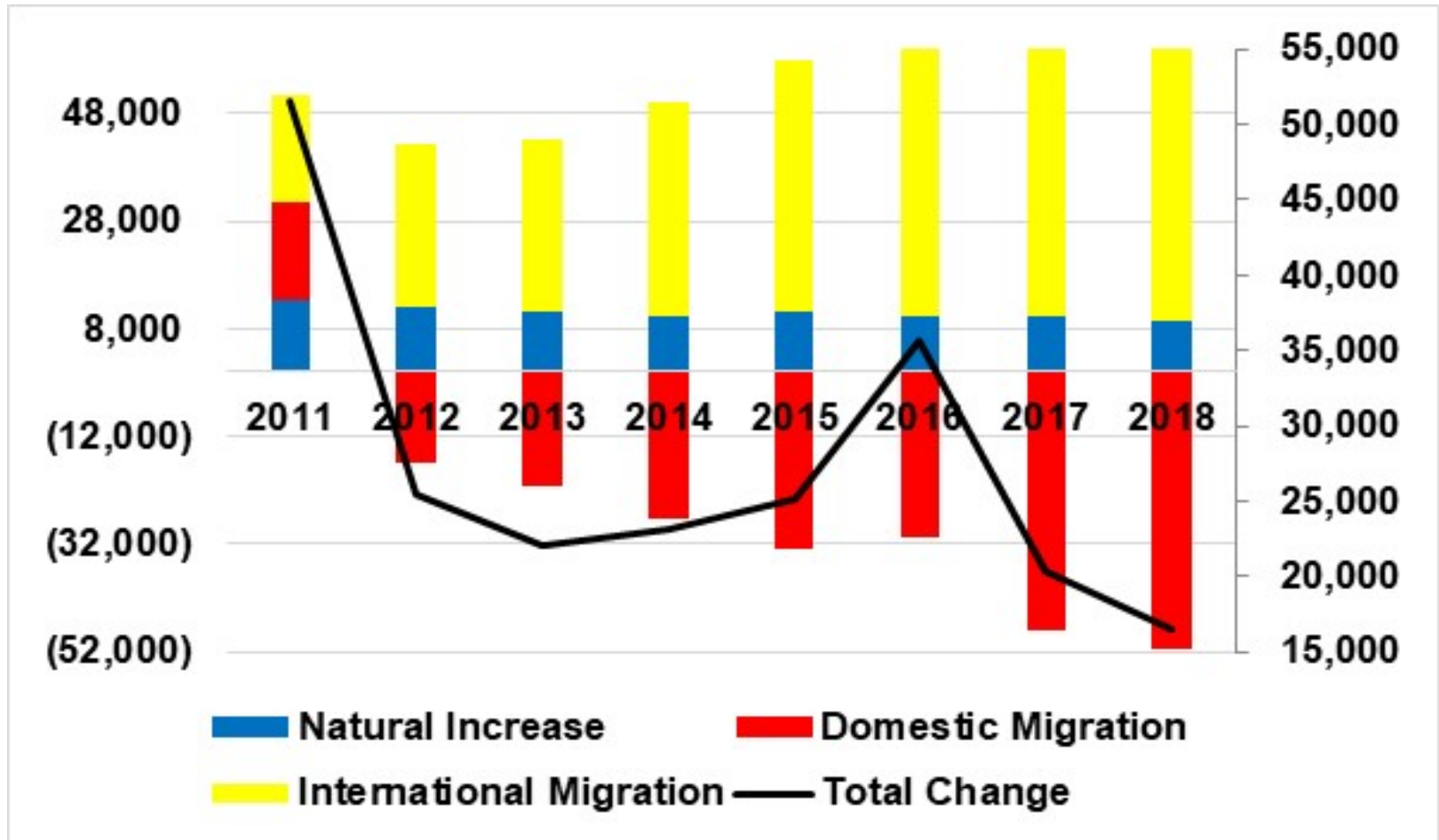
Outlook for Membership Trends

- Florida's population growth has slowed from its 2016 peak and will remain at these lower levels through 2025

- This will limit membership growth to about **20,000** per year down from the surge in 2019 when enrollment jumped almost **30,000.**

- Growth will continue to be concentrated in ten counties as has been the case

- A growing number of counties will lose membership to slower overall population growth, rising private school enrollment, and demographic forces

- Student levels in higher education will come under increasing pressures:

  - Slower population growth

  - Negative demographic trends

  - Competition from trade/professional schools

State Funding Trends

Two Major Constraints on Funding

- Statutory limit on cost/student station Section 1013.64(b)(1), F.S.

- Inadequate funding sources for K-12 and Higher Education

- K-12 increasingly dependent on local sources –

  - Local capital millage rate

  - Impact fees

- Higher Education

  - PECO

  - State funding

Cost Per Student Station Limits

- Problems with limits well known – but not addressed EDR Study 2011

- CPI adjustment is biased and station costs limits include non construction items

Cost per Student Station Limitations:

Section 1013.64(6)(b)1., F.S. A district school board may not use funds…for any new construction of educational plant space with a total cost per student station, including change orders, that equals more than:

a. $17,952 for an elementary school,

b. $19,386 for a middle school, or

c. $25,181 for a high school,

(January 2006) as adjusted annually to reflect increases or decreases in the Consumer Price Index.

Annual adjustments published by Florida Legislative Office of Economic and Demographic Research

http://edr.state.fl.us/Content/conferences/peco/studentstation.pdf

January 2018:

a. $22,451 for an elementary school,

b. $24,244 for a middle school, or

c. $31,491 for a high school,

History of Revenue Sources for School District Capital Projects

FISCAL YEAR	FEDERAL	STATE	LOCAL	TOTAL	FEDERAL %	STATE %	LOCAL %
1997-98	343,856	558,323,677	1,054,770,023	1,613,437,556	0.021%	34.605%	65.374%
1998-99	182,350	1,228,759,317	1,153,319,881	2,382,261,548	0.008%	51.580%	48.413%
1999-2000	17,633	1,136,016,560	1,265,414,002	2,401,448,195	0.001%	47.305%	52.694%
2000-01	866,288	855,779,014	1,372,285,635	2,228,930,937	0.039%	38.394%	61.567%
2001-02	3,377,597	521,498,979	1,391,665,996	1,916,542,572	0.176%	27.210%	72.613%
2002-03	2,100,089	386,788,946	1,443,608,706	1,832,497,741	0.115%	21.107%	78.778%
2003-04	186,243	721,046,534	1,732,807,127	2,454,039,904	0.008%	29.382%	70.610%
2004-05	870,192	607,120,660	2,329,835,454	2,937,826,306	0.030%	20.666%	79.305%
2005-06	8,694,732	474,822,009	2,974,119,622	3,457,636,363	0.251%	13.733%	86.016%
2006-07	22,061,953	1,327,940,490	3,223,435,328	4,573,437,770	0.482%	29.036%	70.482%
2007-08	3,405,049	1,484,174,442	3,278,664,465	4,766,243,956	0.071%	31.139%	68.789%
2008-09	9,663,104	439,741,250	2,279,194,001	2,728,598,355	0.354%	16.116%	83.530%
2009-10	2,242,242	181,634,431	1,687,213,646	1,871,090,318	0.120%	9.707%	90.173%
2010-11	12,096,377	202,580,120	1,271,651,952	1,486,328,450	0.814%	13.630%	85.557%
2011-12	7,802,263	83,407,324	1,267,665,275	1,358,874,862	0.574%	6.138%	93.288%
2012-13	19,355	82,605,371	1,337,867,459	1,420,492,184	0.001%	5.815%	94.183%
2013-14	271,723	116,840,249	1,438,644,607	1,555,756,579	0.017%	7.510%	92.472%
2014-15	30,534	159,075,147	1,676,700,788	1,835,806,470	0.002%	8.665%	91.333%

Florida's Revenue Structure Failing to Meet State Needs

- Real spending per capita has fallen over the last decade

  - Example: Governor's Budget for 2020-21 $19.4B a 0.4% increase

  - Florida's population is growing at 1.5% and inflation is 1.5% = 3%

- Result in chronic underfunding with increasingly obvious consequences

  - Education capital/operations, healthcare, jails, and environment

- Zombie idea that lowest taxes = fastest economic growth which will provide for needs

- Common Sense Market-Based Reforms

  - State sales tax system – exemptions

  - Tourist Development Tax – uses

  - Criminal Justice Reform

  - Dedicated State Trust Fund for Educational Facilities

  - Increased Required Local Effort – fixed and predictable at 10 mills for operations

The End

Thank You!

pfm