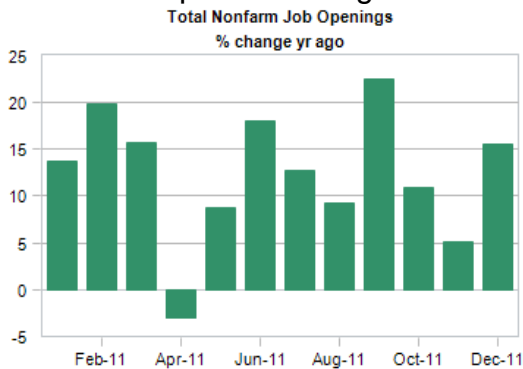




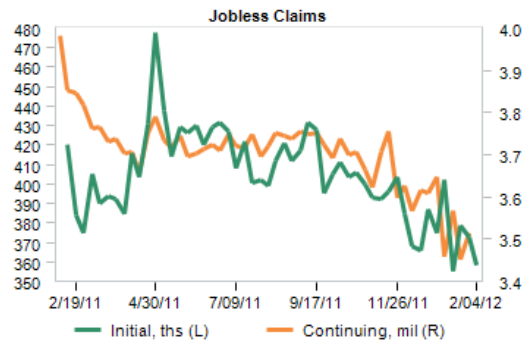
ECONOCAST UPDATE – February 13, 2012

U.S. Economy – Job Growth Sustainable

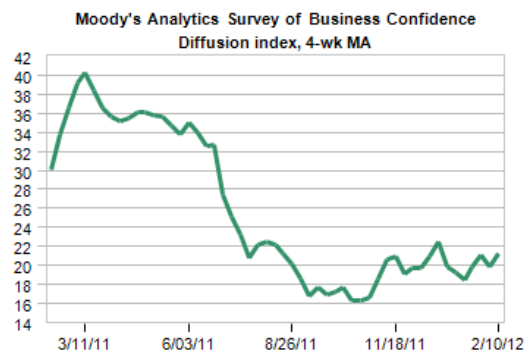
The stronger tone of labor markets evident in the January jobs report was supported by December's job openings report. Job openings jumped 15.6% above year-earlier data to just shy of the September high. The number of hires was a little different than the prior month, but the number of separations edged lower.



Furthermore, new claims for unemployment compensation continued to drop adding to optimism that the labor market is improving faster than anticipated. Jobless claims fell by 15,000 to 358,000 for the week ending February 4th. While the warmer than usual winter weather plays a part in this, the size and duration of the decline in new claims is unambiguously a positive sign.

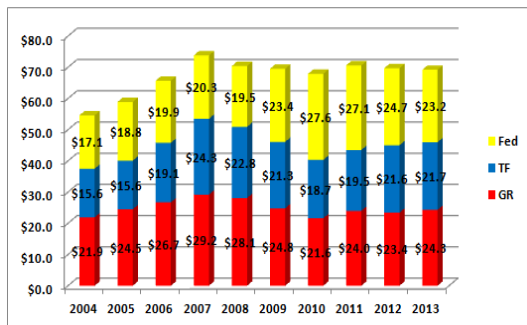


However, business confidence is still fragile, though improving. Moody's business confidence index improved last week, and the four-week moving average edged up to its best level since last August in the wake of the Treasury debt-ceiling debacle in the U.S. The most upbeat responses are with regard to businesses' assessment of current economic conditions and the strength of sales. They are less enthusiastic when responding to specific questions regarding hiring.



Florida – New Budget for FY 12-13

Last week Florida's House of Representatives passed a budget for the upcoming fiscal year which begins July 1, 2012. The \$69.2 billion budget is 1% below last year's totals largely due to lower expected federal funding for State operations. Higher sales tax revenues pushed general fund expenditures up by 4%.



The House passed budget now goes to the Senate and final action is expected over the next few weeks. The prompt budgetary process was a surprise in light of the work on redistricting this year.

The House budget largely follows the priorities outlined by Governor Scott. The House budget includes a \$1.1 billion increase in funding for PreK-12 education. While this does not restore all of the cuts over the last few years, it is a 9.5% increase in State support. Other notable increases in spending include \$305 million more for increased Medicaid caseloads and \$232 million more for economic development and marketing a 5% increase compared to last year.

These increases in spending are funded from offsetting cuts to other

parts of the budget. Most prominent is a \$585 million cut to funding for the Clerk of Courts. The decrease is attributable to the removal of funding for the Clerks from the budget. The House budget also cuts funding for State universities and colleges by \$395 million which is a 12% reduction in General Fund support. These cuts are to be offset by an 8% base tuition increase plus a 7% tuition differential adjustment.

Following the Governor's lead the House budget also proposes a \$453 million reduction in Medicaid provider reimbursement rates for hospital inpatient and outpatient services and a 2.5% reduction for nursing homes. Hospitals are strongly opposed and it is unclear if the Senate will go along with the House on this.

There is still a raging controversy in the Senate over privatizing prisons which the House approved. The heavily lobbied resort-casino bill died in the House and is unlikely to be revived despite interest in the Senate.