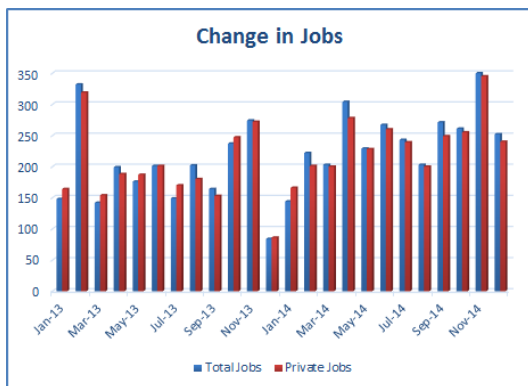


ECONOCAST™ UPDATE – January 12, 2015

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U.S. Economy – Employment Up and Oil Prices Down

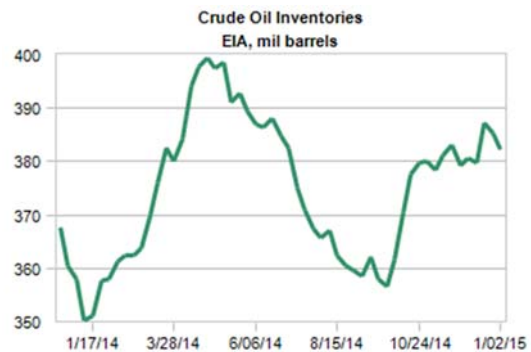
The labor market ended 2014 on a strong note. Payrolls increased 252,000 in December, and the previous two months were revised higher by 50,000 jobs. With an annual gain of nearly 3 million new jobs 2014 this was the best year since 1999.



The unemployment rate declined by 0.2 percentage point to 5.6%, but this was not as good as it appears. The labor force contracted. Worse yet hourly earnings declined 0.2%. This was surprising since the labor market has tightened considerably over the course of 2014, which should have begun to push wages higher. The absence of wage pressures indicates that most firms are able to find and retain workers without increasing

wages appreciably. However, this cannot last much longer.

Oil prices continued to fall last week. The benchmark West Texas Intermediate dropped below \$50. However, the rate of decline is slowing and inventories are declining. Total petroleum products supplied to the market, a proxy for U.S. oil demand, averaged 20.2 million barrels per day in the four-week period ended January 2, which was 2.6% above the year-ago level.



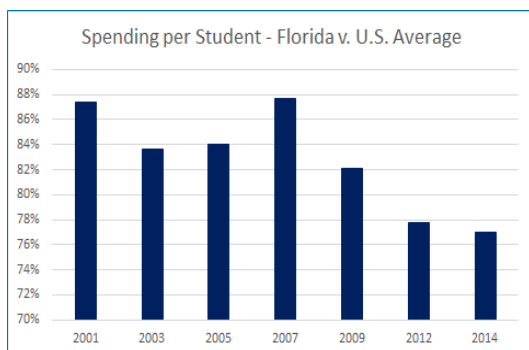
Finally, the minutes of the December 16-17 Federal Open Market Committee meeting indicated that low inflation will not stop the Fed from moving to normalize monetary policy. The minutes mentioned that the committee would still tighten monetary policy if core inflation remained at current levels.

Florida Economy: Education Spending and Quality

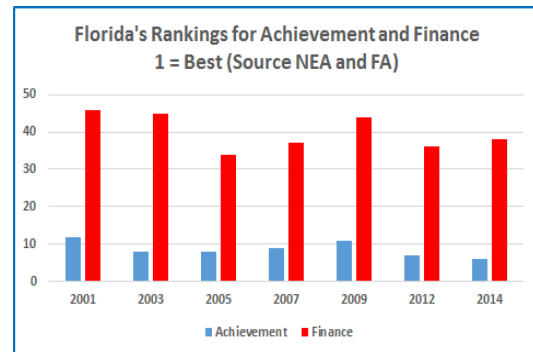
Spending for K-12 education is the largest single expenditure in the State's General Fund budget. Governor Scott proposes to increase spending for K-12 by some \$800 million to achieve spending per student of \$7,176 in FY2015-16. It is important to understand how education is funded in Florida, and what are we getting for the money?

First the funding. The Legislature sets the level of funding each year. This year the funding is just under \$7,000 per student totaling \$18.9 billion. The State directly funds some \$10 billion or 56% of the total primarily from sales taxes. The balance is raised through the imposition of local property taxes by school boards, called Required Local Effort ("RLE"). In order for school boards to qualify to receive State funding they must impose their share of RLE. Essentially, the State equalizes spending per student across all 67 districts (which are conterminous with the county boundaries) by taking RLE from property rich counties (like Palm Beach) and distributing it to property poor counties (like Dixie). In this way the State achieves roughly equal support per student across the State.

Florida spends significantly less per student than the U.S. average.



As a result of spending less than average, many consider the quality of Florida's K-12 system to be inferior. While this may have been true in the past, over the last decade the National Education Association ("NEA" which is no friend of Florida's) has ranked the achievement of Florida's system quite high. In its rankings since 2000 Florida's achievement levels have ranked in the top quarter for the U.S. despite funding in the bottom quarter.



The most recent "score card" is revealing. While continuing to score low on spending (finance) and chance for success (socio economic factors), Florida scores above average for achievement.

Score Card Categories	Florida	U.S.
Chance for Success	C	C+
Achievement	C	C-
Finance	C-	C
Equity	A	B-
Accountability	A	B
Teacher Profession	B	C

Furthermore, because of Florida's financing system which equalizes spending across richer and poorer counties, Florida ranks very high for equity. This stands in stark contrast to many other states where school funding is highly localized at the city level. Finally, Florida also ranks high for accountability, because of our rigorous testing protocols.