

***THE ECONOMIC IMPACTS OF
DELAYS IN CIVIL TRIALS IN FLORIDA'S STATE COURTS
DUE TO UNDER-FUNDING***

Prepared for:

The Florida Bar

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I. EXECUTIVE SUMMARY

- ❑ Due to Florida's growing population and the significant increase in the number of Real Property/Mortgage Foreclosure cases filed, the court caseload throughout the State has grown dramatically and, as a result, has created growing and serious backlogs within the court system. This situation is adversely impacting the competitiveness of the State to create, retain and expand jobs and private-sector enterprises.
- ❑ While the number of cases has increased sharply in recent years, funding of Florida's state court system has remained constant or has declined. **In real terms (adjusted for inflation), funding for Florida's state courts has declined every year since FY 2004-2005.** Delays within the court system create a significant burden throughout the system and on its personnel, including judges, Clerks of Court and other court administrators.
- ❑ System-wide funding challenges have forced the courts to cut and/or decrease the services offered. As of October 2008, WEG estimates the backlog of civil cases to be approximately 338,000 cases. This is impacting the ability of the private sector to conduct business in Florida.
- ❑ In total, the backlog of Real Property/Mortgage Foreclosure cases **alone** directly results in an estimated \$9.9 billion of added costs and lost property values for Floridians each year. Backlogs of **other** civil cases create an additional \$200 million of added costs each year.
- ❑ The aggregate of all quantifiable costs associated with court-related delays in civil case adjudication results in direct economic impacts (i.e., costs to the economy) approaching **\$10.1 billion annually**.
- ❑ These added direct costs and burdens on the economy **adversely impact** employment, the generation of labor income, economic output and public revenues throughout the State of Florida. **In the current economic climate, the State cannot afford the loss of economic dynamism attributable to the under-funding of the court system.**
- ❑ An estimated **120,219 permanent jobs** for Florida's residents are adversely impacted by civil case delays resulting from inadequate funding for Florida's courts. This situation will continue to deteriorate until proper funding for the court system is re-established.

Table ES-1. Summary of the Adverse Economic Impacts Arising from Delays in Civil Case Adjudication in Florida’s State Court System

<i>Impact on:</i>	<i>Direct</i>	<i>Indirect & Induced</i>	<i>Total Impact</i>
Employment (Jobs)	56,138	64,081	120,219
Labor Income (\$ Billions)	3.041	2.549	5.590
Florida Gross State Product (Value Added -\$ Billions)	5.573	4.257	9.830
Federal, State & Local Tax Revenues (\$ Billions)	-----	-----	2.199
Total Economic Impact (\$ Billions)	10.088	7.279	17.367

Source: The Washington Economics Group, Inc.

- Best Practices for court funding are based on the principles that court funding should be adequate for the courts to discharge their constitutional responsibilities, stable across budget periods, and equitable across jurisdictions in order to provide impartial justice for all citizens. Finally, the courts have a responsibility to utilize resources in an efficient manner by advancing best management products and the deployment of new technologies.

- The Seven Principles for Stabilizing Court Funding recently set forth by the Chief Justice of the Supreme Court of Florida are sound and consistent with the broad principles that underlie Best Practices in Court Funding. They will serve as an excellent starting point for discussions between the courts, the Legislature, and the Executive Branch on proper stabilization and allocation of court funding.

II. BACKGROUND

Florida's court system has four distinct court bodies: two trial courts (the County and Circuit Courts), an appellate court, and the State Supreme Court. County Courts, with limited jurisdiction, operate in each of Florida's 67 counties. There are 20 Circuit Courts, and 5 Appellate Courts located throughout the State. The State Supreme Court is located in Tallahassee. Over the past decade, Florida's system of courts has faced a steadily growing caseload. Each year the number of cases entering the courts has steadily grown, increasing from 2.5 million in FY 1995-1996 to 4.1 million in FY 2005-2006. These increases have been seen in at all levels of the state court system.

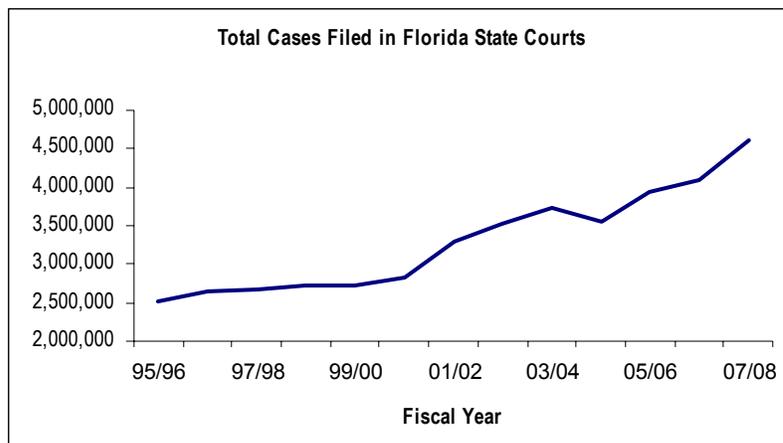


Figure 1
Source: The Washington Economics Group, Inc.

There have been significant increases in cases filed in Florida's state circuit courts as well. Between FY 1995-1996 and FY 2006-2007, cases filed in the state's Circuit Courts increased by 28 percent from 741,000 to 947,000 in the '06-'07 fiscal year. Over the past decade, there has been little change in the caseload of Florida's Appellate Courts, or the State Supreme Court.

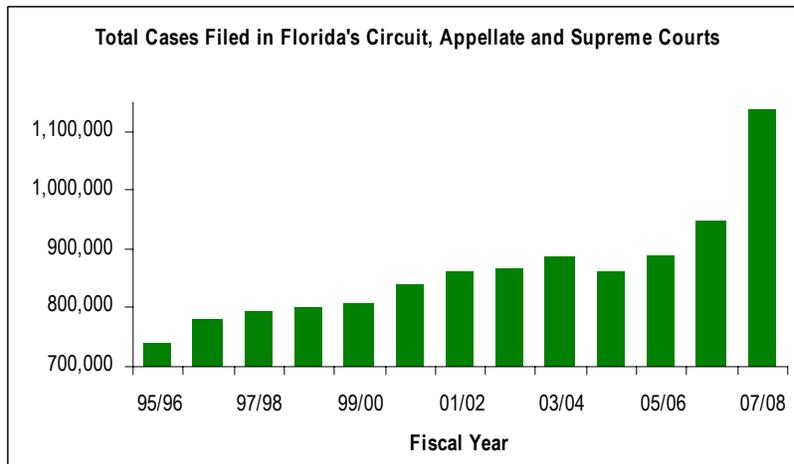


Figure 2
Source: The Washington Economics Group, Inc.

Two trends have driven this increase in workload for Florida’s courts. The first is Florida’s population growth. For many decades Florida has been one of the fastest growing states in the United States. Between 1995 and 2007, Florida’s population increased by 4.1 million people or 28 percent from 14.6 million to 18.7 million residents.

Secondly, Florida’s citizens have made greater use of their courts. In FY 1995-1996 there were 172.3 court cases filed per 1,000 residents. By FY 2006-2007 this had increased to 219.8 cases being filed per 1,000 residents, as illustrated in Figure 3 below.

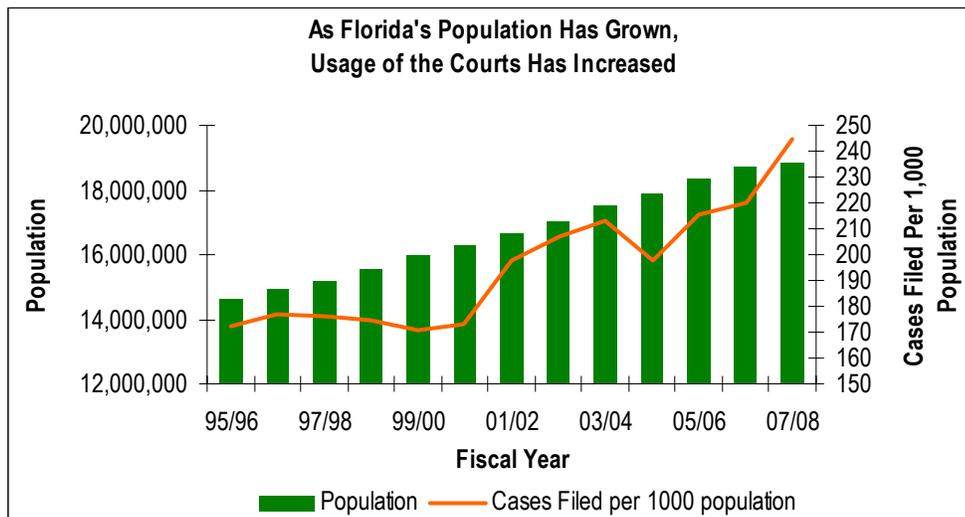


Figure 3
Source: The Washington Economics Group, Inc.

In the past few years, demand on Florida’s courts has grown at a rate much faster than the resources available to Florida’s courts. Prior to July 1, 2004, much of the funding for Florida’s courts was provided by county governments; on that date, Revision 7 of the Florida Constitution became effective. This revision shifted the responsibility for the funding of most operating expenses of the state court system, state attorneys, public defenders and the Justice Administrative Commission from county government to state government. Historical budget information for Florida’s state courts clearly shows that state funding has not kept pace with the demands that Florida’s citizens are making on the court system. Table 1 on the next page sets forth information on state court system funding. In nominal terms the per-case funding for Florida’s state courts peaked in FY 2006-2007 at \$1,250.35 per case. In real terms (adjusting for the increase in the general level of prices of goods and services purchased by government) the state funding for Florida’s courts peaked much earlier in FY 2004-2005 at \$1,153.78 per case filed. Thus, when adjustments are made for inflation and growing caseloads, Florida’s state courts have steadily lost resources for the last four fiscal years.

Table 1. State of Florida Justice System Funding and Caseload

<i>Category</i>	<i>Fiscal Year</i>					
	<i>2003-04</i>	<i>2004-05 (1)</i>	<i>2005-06</i>	<i>2006-07</i>	<i>2007-08</i>	<i>2008-09</i>
State Court System Funding						
State Court System	\$269,815,184	\$391,608,311	\$405,406,944	\$450,390,384	\$477,980,209	\$438,269,619
Other Court Related Functions (2):	\$488,503,257	\$644,724,081	\$667,795,635	\$733,133,182	\$767,662,513	\$744,193,050
Total Funding:	\$758,318,441	\$1,036,332,392	\$1,073,202,579	\$1,183,523,566	\$1,245,642,722	\$1,182,462,669
Total Cases Filed In State Courts (3)	886,082	863,662	887,990	946,555	1,135,087	1,135,087
Funding Per Case Filed (nominal dollars):	\$855.81	\$1,199.93	\$1,208.58	\$1,250.35	\$1,097.40	\$1,041.74
Funding Per Case Filed (real dollars:2003-04=100) (4):	\$855.81	\$1,153.78	\$1,117.40	\$1,111.56	\$938.06	\$856.23

Source: Florida State Courts Annual Reports, Various Years.

- Notes: 1. Revision 7 to the Florida State Constitution took effect on July 1, 2004 transferring many court funding responsibilities to the State.
2. Other court-related functions includes: Justice Administration Executive Direction, Statewide Guardian Ad Litem Program, State Attorneys, Public Defenders, Capital Collateral Regional Counsel, Criminal Conflict and Regional Counsels.
3. Total Cases filed in FY-2008-2009 estimated at the same level as FY-2007-2008.
4. Deflated at 4 percent per annum to adjust for inflation in the prices of goods and services purchased by government.

The funding challenge of the past few years has been exacerbated by rapid growth in the number of cases entering the system. In the past two fiscal years (2006-2007 and 2007-2008) total cases filed in Florida's state courts have increased by 12.2 percent per annum. When the number of cases in the court system exceeds the manpower and financial resources available, the courts are forced to slow or suspend the processing of civil cases. This is a result of federal and state laws relating to due process and speedy trials that require criminal and family court cases be heard by the courts within specified time frames.

Data from Florida's state courts show that the number of civil cases being filed in Florida's courts have exceeded the ability of the courts to hear and resolve these cases, and as a result, civil case backlogs have grown dramatically. Figure 4 below shows that over the past two years the number of civil cases filed have steadily increased each month, and although the number of cases disposed of each month has increased slightly, dispositions have not kept pace with the rate of increase in cases filed with the courts.

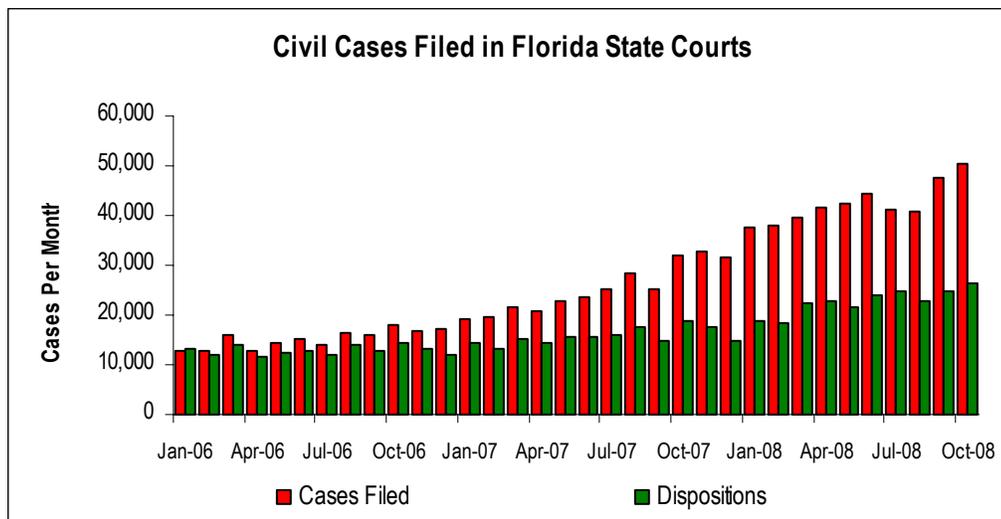


Figure 4
Source: The Washington Economics Group, Inc.

Figures 5 and 6 on the next page show the change in civil case backlogs over the past three years, along with an estimate of the average case backlog in months. The data on these two charts show that most of 2006 civil case dispositions kept pace with new case filings and that there was little change in estimated case backlogs. In 2007 and 2008, the situation deteriorated, and as of October 2008, we estimate the backlog of civil cases in Florida's state courts is approximately 338,000 cases. At the current rate of civil case disposition, it would take almost 13 months for the current civil case backlog to be eliminated, assuming no additional cases are filed with the courts in that time frame.

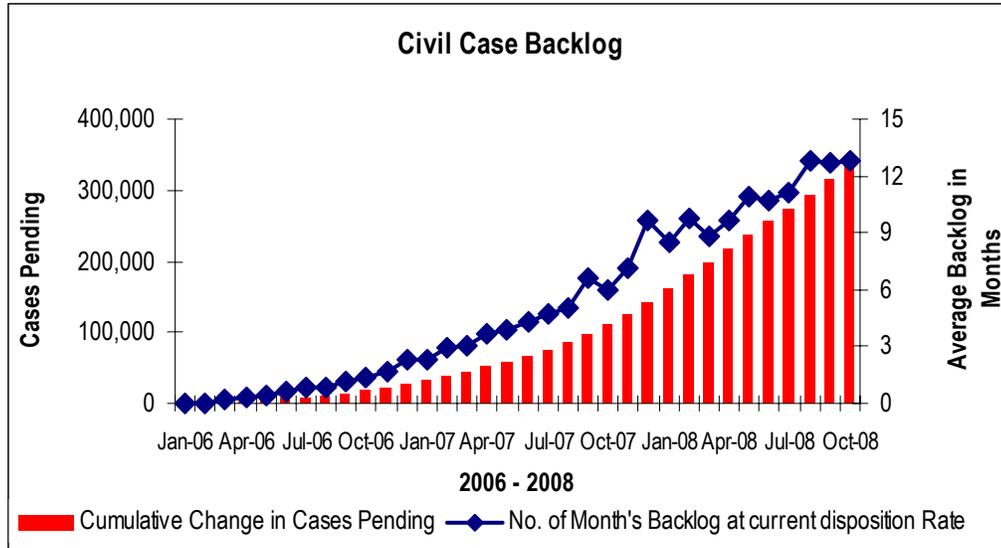


Figure 5
Source: The Washington Economics Group, Inc.

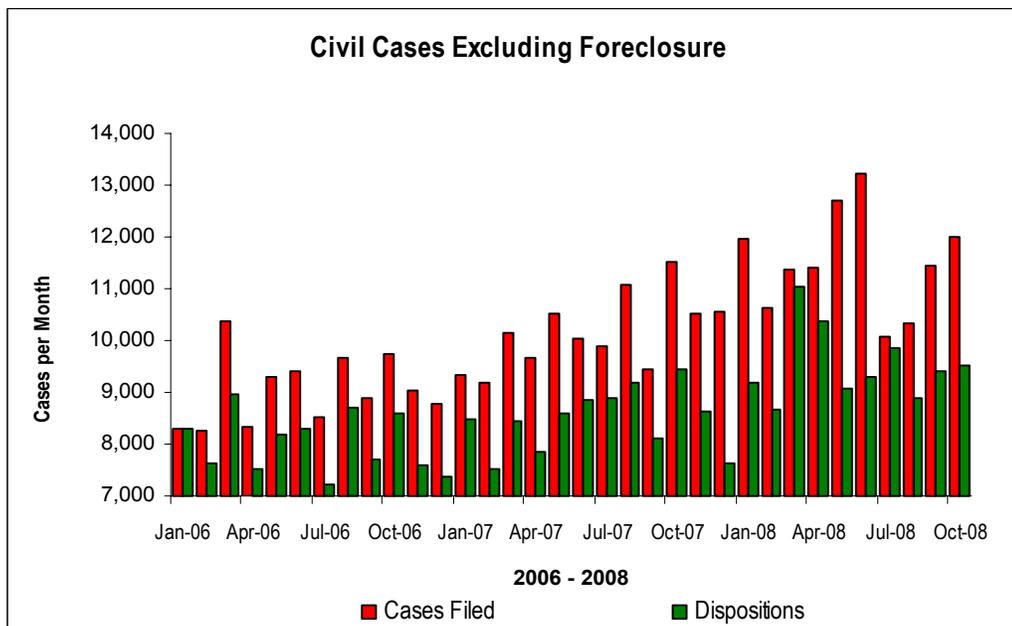


Figure 6
Source: The Washington Economics Group, Inc.

Over the past two years the greatest increase in civil cases filed has been in Real Property/Mortgage Foreclosure cases, largely as a consequence of the sub-prime mortgage crisis. Figure 7 on the next page shows the Florida state civil case filings for the last three years split between Real Property/Mortgage Foreclosure and all other civil cases. This clearly shows how the dramatic increase in foreclosure cases has driven the increase in overall number of civil cases filed.

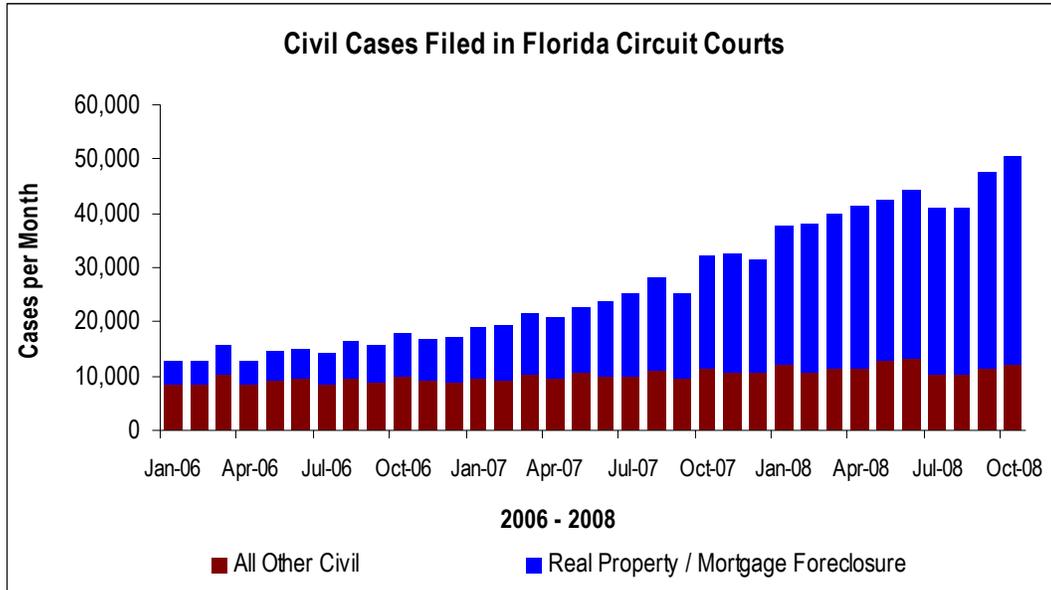


Figure 7
 Source: The Washington Economics Group, Inc.

As the number of Real Property/Mortgage foreclosure case filings has increased, this fact has created backlogs throughout the entire court system. These backlogs and delays create additional work for judges, court administrators, attorneys, Clerks of the Courts, and Floridians who seek justice through the court system.

In the following section, financial and other burdens associated with delays in the court system are identified and their impacts on Florida’s economy are quantified.

III. THE ECONOMIC IMPACTS OF DELAYS IN THE DISPOSITION OF CIVIL COURT CASES

When the processing of circuit civil cases is delayed by crowded court calendars, additional burdens and costs are imposed on all participants. These costs include, but are not limited to:

- Additional demands that are placed on the Clerks of Court and other court administrators as they manage additional cases and the associated case files as these move through the justice system.
- Additional burdens that are placed on judges and their support staff to hear cases quickly while ensuring that fair and impartial justice are provided to all Floridians.
- Attorneys and their support staff are forced to undertake additional efforts to identify the location of files, determine the status of cases in the legal system and remain current on these cases.
- Finally, Floridians must wait for justice, sometimes incurring significant financial and other costs during the waiting period.

In addition to the costs and burdens that can be identified, there are others that cannot be quantified, but are nonetheless real.

- Adverse impacts on Florida's business climate.
- Additional costs imposed on businesses and others as they seek speedy resolution of issues without having to resort to the courts for justice.
- Opportunities forgone as businesses and individuals deal with the uncertainty of having to wait for the court system to hear their case and render a decision.

In order to analyze the costs associated with court delays, civil cases were broken into two categories: Real Property/Mortgage Foreclosure; and all other civil cases. Foreclosure cases were analyzed separately as these cases are similar, and the costs of delays can be quickly identified. In contrast, other civil cases involve a wide range of issues, and in many cases, the economic impacts associated with these cases must be analyzed individually.

Appendix I contains detailed information and calculations of the direct economic impacts associated with the current backlog of Real Property/Mortgage Foreclosure cases and other types of civil cases in Florida's courts.

WEG's analysis of the backlog of Real Property/Mortgage Foreclosure cases has identified the following added expenses associated with this backlog. Each year Florida's citizens incur:

- \$1.0 billion of added legal and other case-related expenses due to delays in the disposition of these cases.
- \$4.6 billion of interest income foregone annually by financial institutions and other mortgage investors while they wait for case disposition.
- \$4.3 billion of declines in property value (over and above the declines in property values due to general market conditions) resulting from properties being vacant and not properly maintained during the foreclosure process.

In total, the backlog of Real Property/Mortgage Foreclosure cases directly results in \$9.9 billion of added costs and lost property values each year for Florida's citizens.

Data from the Office of the State Courts Administrator show that as of October 2008 all other types of civil cases (excluding Real Property/Mortgage Foreclosure) had an average delay of 5.5 months due to court-related delays. On an annual basis, we estimate that the additional legal costs associated with these delays exceed \$184 million. Thus, the aggregate of all quantifiable costs associated with court-related delays in civil case adjudication results in direct economic impacts approaching \$10.1 billion annually.

These added costs set forth in the preceding paragraphs generate significant quantifiable economic impacts. These impacts, estimated by utilizing a professionally accepted and widely used economic methodology, adversely affect employment, the generation of labor income, economic output and public revenues throughout the State of Florida. Therefore, the economic outcomes associated with these delays in civil case adjudication will result in significant adverse economic development impacts throughout the State.

The Minnesota IMPLAN Group, Inc. (MIG) provides the software and basic data needed to formulate the economic multiplier model developed for this analysis. MIG has been providing economic multiplier models for regional economic impact analysis since 1985¹. **Models developed using IMPLAN software are widely used by private sector, academic economists, and by federal, state and local government agencies.** The Washington Economics Group, Inc. (WEG) IMPLAN model for Florida is based on the latest input-

¹Information on the IMPLAN Group models and the company history can be found at www.implan.com.

output tables as well as income and employment data for Florida from the U.S. Department of Commerce.

Methodology

Economic models that explicitly account for inter-industry linkages (supply relationships), the generation of labor and capital income and the spending of household income have been used since the 1960's to estimate the contribution that a particular business or industry makes to the general economy. These "input-output" models recognize that as an industry experiences an increase in the demand for its products or services, it in turn needs more goods and services from its suppliers and must increase its purchases from other industries in the economy. The effect on regional production resulting from successive rounds of inter-industry linkages is referred to as the *indirect effect*. The resulting increases in regional production also lead to expansions in employment and labor income, and the increases in labor income lead to increases in consumer spending, further expanding sales and production throughout the regional economy. The latter economic impacts are referred to as the *induced effects*. The successive waves of production, spending and more production result in *economic multiplier effects*, where the final or total increase in regional production, income and employment, respectively, is larger than the initial (or "direct") increase in production, income and employment. The total quantitative economic contribution of these activities, therefore, is comprised of a *direct effect*, an *indirect effect* and an *induced effect*.

IV. THE ADVERSE ECONOMIC IMPACTS RESULTING FROM OBSERVABLE COSTS ASSOCIATED WITH DELAYS IN CIVIL CASE ADJUDICATION IN FLORIDA

The added expenditures required as a result of delays associated with civil case adjudication in Florida are generating economic impacts that extend beyond those *directly* related to the delays in the legal process. These “spillover” or multiplier impacts are the result of each business activity’s supply relationships with other firms operating within the State, the proportion of business Gross Domestic Product (GDP or Value Added²) that accrues to Florida households in the form of labor and capital income, and the propensity of these households to spend income on goods produced within the State.

The *direct* impact of these delays is comprised of all added expenditures for labor and materials required by the delays, foregone interest and declines in real property and other asset values resulting from the delays. Utilizing the *direct* economic impacts discussed above, *indirect* and *induced* economic impacts of these delays were calculated using an extended *input-output* model of the Florida economy. These comprehensive *direct*, *indirect* and *induced* economic impacts are summarized in Table 2 below.

<i>Impact on:</i>	<i>Direct</i>	<i>Indirect & Induced</i>	<i>Total Impact</i>
Employment (Jobs)	56,138	64,081	120,219
Labor Income (\$ Billions)	3.041	2.549	5.590
Florida GDP (Value Added -\$ Billions)	5.573	4.257	9.830
Federal, State & Local Tax Revenues (\$ Billions)	-----	-----	2.199
Total Economic Impact (\$ Billions)	10.088	7.279	17.367
Source: The Washington Economics Group, Inc.			

The total recurring (annual) adverse economic impacts are very significant brakes on economic growth and a threat to the well being of Florida. An estimated 120,219 permanent jobs for Florida’s residents are adversely impacted by civil case delays resulting from inadequate funding for Florida’s courts. The analysis that follows presents specific categories of the economic impacts presented in Table 2, starting with adverse employment impacts.

²“Value added” refers to the difference between business revenues and the cost of non-labor and non-capital inputs used to produce goods and/or services.

A. Employment Impacts: Civil Case Delays Adversely Impact 120,219 Permanent Jobs of Florida Residents

An estimated 120,219 permanent jobs held by Florida residents have been adversely impacted *directly* or *indirectly* by delays in Florida’s courts. These delays in civil case adjudication are *directly* responsible for the loss of 56,138 jobs in the Knowledge-Based Services, Construction and related support sectors. However, the *indirect* and *induced* job impacts reach deeply into all sectors of the Florida economy. This dramatically demonstrates the close supply inter-relationships that the Knowledge-Based Services, Construction and related support sectors have with all of the other sectors of the state’s economy. An additional 31,289 Florida jobs are adversely impacted via *indirect* economic effects (mostly suppliers). Lastly, induced spending effects arising from these delays adversely impact 32,792 Florida jobs in all sectors of the local economy. **Therefore, the total number of Florida jobs adversely impacted by these delays is estimated at 120,219 – resulting in a significant reduction in employment opportunities throughout the State of Florida.**

The number of jobs in each economic sector adversely impacted by civil court case delays is summarized in Table 3. Of the 120,219 jobs adversely impacted, 54 percent are in the Knowledge-Based Services sector, 24 percent are in the Construction sector, and 10 percent are in the Retail Trade sector. The remaining 12 percent is distributed among other sectors of the Florida economy (Figure 8). **The Knowledge-Based Services sector of the Florida economy is emphasized for growth by economic development entities as it is a key generator of high-wage occupations in emerging sectors of the State’s economy.**

Table 3. Florida Jobs Adversely Impacted by Civil Case Delays	
<i>Industry</i>	<i>Florida Jobs Adversely Impacted</i>
Knowledge-Based Services	64,276
Construction	28,518
Retail Trade	12,340
Visitor Industry	5,802
Wholesale Trade & Transportation Services	5,335
Manufacturing	2,346
Government & Other	1,601
<i>Total All Industries</i>	<i>120,219</i>
Source: The Washington Economics Group, Inc.	

Jobs adversely impacted by civil court case delays are found in a wide variety of industries and represent a broad spectrum of occupations as shown in Figure 8 below.

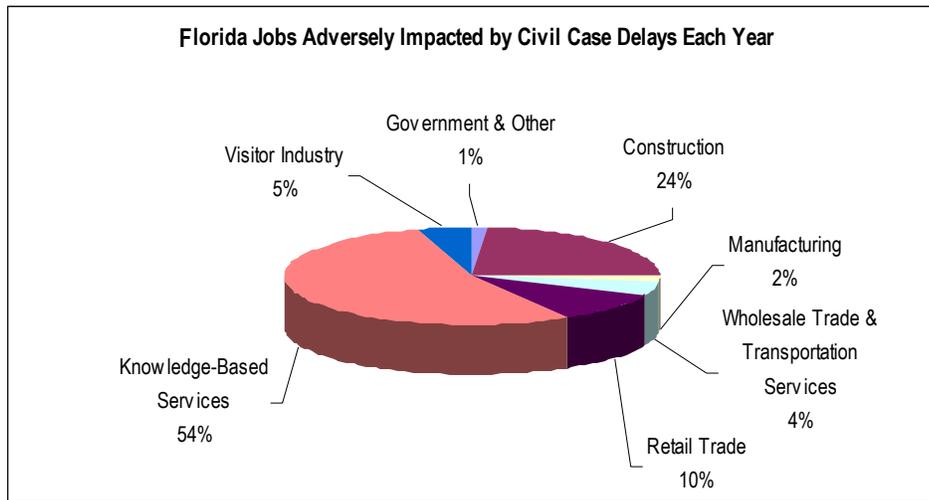


Figure 8
Source: The Washington Economics Group, Inc.

B. Adverse Impacts to Labor Income: Civil Court Case Delays Place Almost \$6 Billion of Labor Income at Risk Each Year

Delays in civil court cases have also resulted in significant adverse impacts in Labor Income for Florida’s workers. Many of the jobs are in sectors that pay above-average wages for the State as quantified in Table 4. In addition to the \$3.041 billion of Labor Income lost *directly as a result of civil court case delays*, \$1.338 billion of Labor Income is adversely impacted by *indirect* economic activities resulting from civil court case delays, and an additional \$1.211 billion of Labor Income is adversely impacted by *induced* economic activities resulting from these delays. **In summary, these delays are estimated to adversely impact \$5.590 billion in Labor Income for Florida’s workers each year.**

Industry	Total Impact
Knowledge-Based Services	3,295,998
Construction	1,311,891
Retail Trade	356,533
Wholesale Trade & Transportation Services	276,215
Visitor Industry	129,420
Manufacturing	122,319
Government & Other	97,648
Total All Industries	\$5,590,022

Source: The Washington Economics Group, Inc.

Of the \$5.6 billion of Labor Income adversely impacted by civil court case delays, \$3.3 billion or 60 percent comes from the Knowledge-Based Services sector, \$1.3 billion or 23 percent of Labor Income is adversely impacted in the Construction sector, and \$0.4 billion or 6 percent of Labor Income is adversely impacted in the Retail Trade sector. The remaining 11 percent is adversely impacted in the Wholesale Trade and Transportation Services sector and in a range of other occupations (Figure 9).

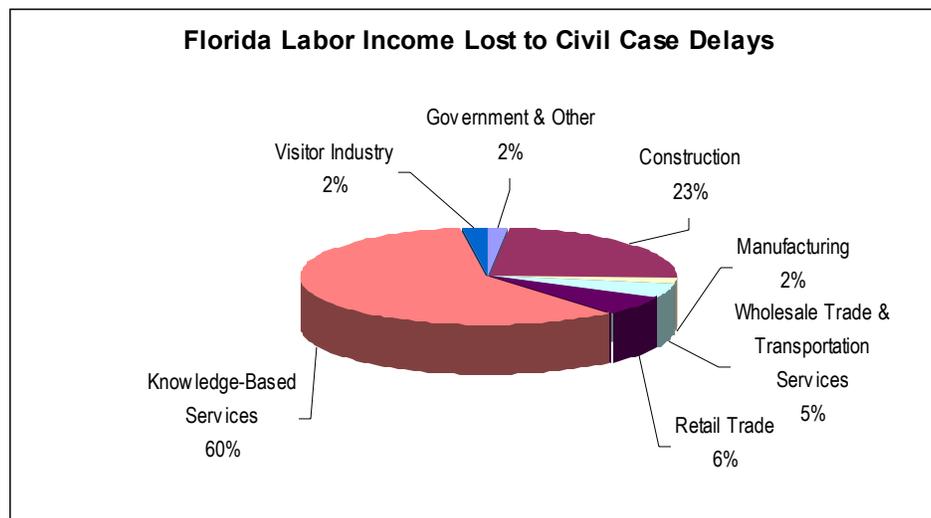


Figure 9
Source: The Washington Economics Group, Inc.

C. The Recurring Adverse Impacts on Florida’s Gross State Product: A Significant Drag on Economic Activity from Court Delays in Civil Cases

Florida Gross State Product (GDP, or Value Added) adversely impacted by civil court case delays is another measure of the economic development costs arising from inadequate funding of Florida’s court system. Florida GDP is the portion of business revenues available to pay compensation to workers, capital income and indirect business taxes³. It is also the principal source of household income and a key measure of adverse impacts on Florida’s economy caused by the costs of civil court case delays. Civil court case delays will adversely impact \$5.573 billion of Florida GDP *directly*, while \$2.006 billion of state GDP is adversely impacted by *indirect* activities, and \$2.252 billion of Florida GDP is adversely impacted by *induced* economic activities. In total, civil court case delays adversely impact \$9.8 billion in Florida GDP annually. Table 5 on the next page summarizes the Florida GDP adversely impacted in each sector of the State’s economy by the civil court case delays each year. **The largest adverse impacts in Florida GDP occur in the combined Knowledge-Based Services and in the Construction sectors where 80 percent of the adverse impacts to Florida GDP occur each year.**

³ Florida GDP (value added) also includes compensation to government workers.

Table 5. Florida GDP Adversely Impacted by Civil Court Case Delays (\$ in thousands)	
Industry	Total Impact
Knowledge-Based Services	6,348,829
Construction	1,504,356
Government & Other	592,883
Retail Trade	573,640
Wholesale Trade & Transportation	428,706
Visitor Industry	198,357
Manufacturing	183,501
Total All Industries	\$9,830,272

Source: The Washington Economics Group, Inc.

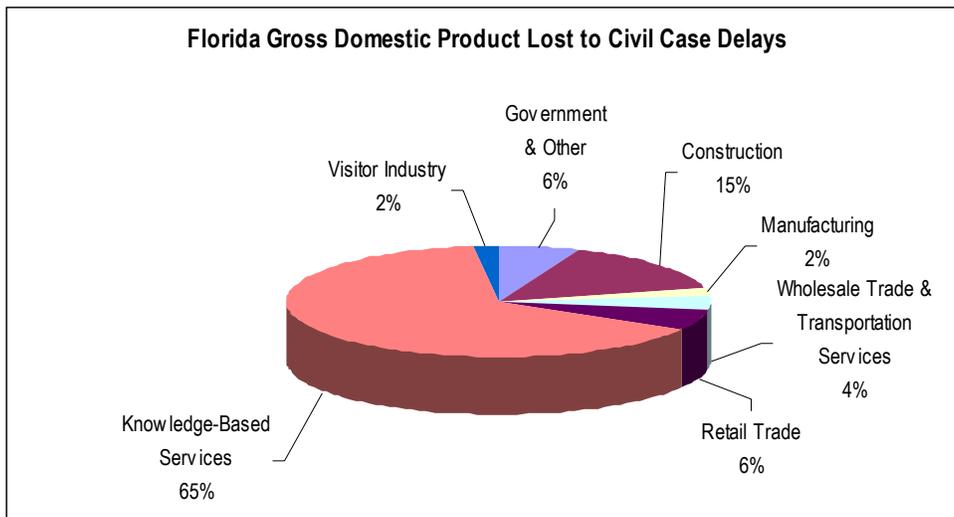


Figure 10
Source: The Washington Economics Group, Inc.

D. The Total Annual Adverse Economic Impacts Arising from Civil Court Case Delays are a Significant \$17.4 Billion Each Year

A final and comprehensive measure of the total adverse economic impact of civil court case delays on the Florida economy is *Gross Economic Output*, representing the sum of gross revenues (receipts) of private firms plus the value of government services (valued at cost). The total adverse economic impact of the civil court case delays on the Florida economy is estimated at almost \$17.4 billion annually. Of this total, \$10.1 billion is generated *directly* by the added costs of civil court case delays, while an additional \$7.3 billion is generated by *indirect* and *induced* activities related to case delays (see Table 2 on page 10). Table 6 shows the industry distribution of the \$17.4 billion in total adverse economic impact.

Table 6. Florida Economic Output Lost to Civil Case Court Delays Each Year (\$ in thousands)	
Industry	Total Impact
Knowledge-Based Services	9,778,371
Construction	4,314,988
Retail Trade	872,366
Government & Other	776,700
Wholesale Trade & Transportation Services	690,086
Manufacturing	572,335
Visitor Industry	361,748
Total All Industries	\$17,366,595

Source: The Washington Economics Group, Inc.

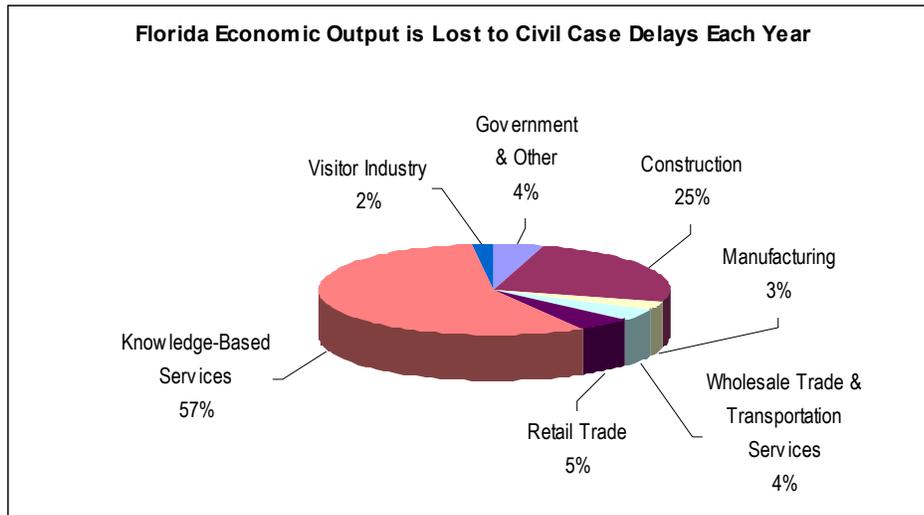


Figure 11
Source: The Washington Economics Group, Inc.

E. Court Delays in Civil Cases Adversely Impact Public Revenues: Almost \$2.2 billion in Public-Sector Revenues are Foregone Each Year

In addition to the various adverse economic impacts presented, the court system delays resulting from inadequate funding result in significant declines in fiscal revenues for federal, state, and local governments as shown in Table 7 on the next page. Each year, close to \$2.2 billion of fiscal revenues are lost to civil court case delays. Of this total, almost \$1.6 billion, or 72 percent, of these revenue losses are allocated to the federal government, with the remaining \$0.6 billion, or 28 percent, of lost tax revenues being allocated to state and local governments throughout Florida.

Table 7. Recurring Adverse Fiscal Impacts Attributable to the Civil Court Case Delays (\$ in thousands)			
Taxes Paid By	Federal Taxes	State/Local Taxes	Total Taxes
Labor (Workers)	\$ 582,978	\$ 10,722	\$ 593,700
Capital (Interest, Dividends, & Capital Gains)	26,022	-----	26,022
Households (Consumers)	591,384	36,166	627,550
Corporations (Business Income)	323,947	118,493	442,440
Indirect Business Taxes (Business Operations)	51,062	458,386	509,448
Total:	\$1,575,393	\$623,767	\$2,199,160
Source: The Washington Economics Group, Inc.			

H. Best Practices in Funding Mechanisms for State Court Systems

Throughout the nation, the judiciary and court administrators face daily challenges making sure that court systems are adequately funded so that they can perform their constitutionally mandated tasks and deliver justice fairly and consistently throughout their jurisdictions. Among the states there is no standard for funding methods. Some states fund their trial courts locally while others employ state funding, or a mix of state and local funding. Irrespective of the primary means of funding, the judiciary and court administrators have reached broad agreements on the following Trial Court funding principles⁴:

- Funding should be adequate, providing the courts with sufficient resources to discharge their constitutionally mandated duties.
- Funding should be stable across budget periods, to allow the courts to adequately plan their operations and function within our system of checks and balances.
- Funding should be equitable across all jurisdictions within a state so that the quality of justice delivered by the courts is not adversely impacted by the location of the court.
- The court system must be accountable for the resources that they receive, and ensure that resources are appropriately utilized throughout the court system in the interest of justice.

Against the backdrop of these principles, WEG has defined the following best practices for court funding. These practices are consistent with the principles set forth above, current practices in business and in the political process.

⁴ “Adequate, Stable, Equitable, and Responsible Court Funding: Reframing the State vs. Local Debate” by Alan Carlson, Kate Harrison, and Prof. John K. Hudzik, The Justice Management Institute, April 2008, <http://www.jmijustice.org>

1. The courts need to take the lead in improving communications among the Judicial, Legislative, and the Executive branches. Frequent and open discussion among the three branches of government regarding current challenges and opportunities can promote mutual understanding and problem solving.
2. The current funding issues provide the courts with the opportunity to:
 - a. Review and re-engineer processes and procedures with the goal of improving the efficient delivery of justice.
 - b. Where feasible, implement new technology to improve productivity and process management.
 - c. Strengthen budget relationships with other branches of government.
3. The courts must become forceful advocates for adequate funding of their constitutional mandate. Although the current economic environment is particularly difficult, the Legislative and Executive branches are always in a position of having to select between competing needs for government resources. Recipients of public resources understand these realities and have developed very sophisticated approaches to decision makers in order to ensure that their needs are met.
4. A business practice that could help in stabilizing court system funding is matching the type of funding with the type of expense. The courts have two broad types of costs, fixed and variable. These costs should be matched with fixed and variable funding sources respectively. Examples of fixed costs include compensation for constitutionally appointed officers and facility upkeep. These expenses do not change with variances in the court's caseload. Variable costs are dependent on caseload, and should be funded with variable revenue sources, such as case filing fees.
5. Judges and Court Administrators need to be given sufficient leeway to add, or remove resources as needed in order to address specific and unique local needs and changes in workload.

Economic downturns often create significant challenges for the courts, as budget cuts reduce judicial system funding while residents often require more services from the judicial system. As has been discussed in an earlier section of this study, Florida's courts have been particularly challenged over the past two years. With our State's diverse population and unique needs for justice, Florida's court system requires special consideration.

I. Justice for All Floridians: Stabilizing Court System Funding

In early January 2009 the Chief Justice of the Florida Supreme Court set forth seven principles for stabilizing Court Funding. These principles are consistent with the broad principles and best practices set forth above and will serve to move the discussion forward toward the goal of creating and implementing a stable and dependable means of funding for Florida's courts. These principles are:

1. The elements of the State Courts System that are codified in section 29.001, Florida Statutes, should be adequately funded by the State to ensure the guarantee of court access by Florida's citizens. This will provide adequate funding for the courts responsibilities for:
 - a. Adjudication
 - b. Due Process
 - c. Governance
 - d. Infrastructure
2. Court fees assessed and paid by Florida's citizens to access their court system should be dedicated to the court system, as already provided for by State law.
3. Unless adequate safeguards are in place, court-related revenue other than filing fee revenue (revenues derived from fines, service charges, and court costs) should not be dedicated to court funding but used to support other justice system partners.
4. All current court-related revenue being collected should be reevaluated to determine what portion of current filing fee revenue should be dedicated to court funding.
5. Additional or increased filing fees should be considered, but only after an adequate review of the distribution of the current filing fee revenue has been made.
6. Some components of the State Courts System are more appropriately funded from the general fund and should remain so.
7. State Court Trust Funds are the appropriate depositories for court filing fee revenue.

Within the context of discussions among the courts, the Legislature, and the Executive on overall court funding, a decision will need to be made on whether the reductions in court funding made over the past few years will be continued. In an earlier section of this study we demonstrated that the "real" (adjusted for changes in the costs of goods and services purchased by government for operating purposes) level of funding for the courts peaked in

fiscal year 2004-2005. We believe that a reasonable funding target for Florida's courts would be to ultimately restore the "real" level of court funding to this level.

Additionally these discussions will need to address the placement of appropriate safeguards on State Court Trust Funds to ensure that monies placed in these funds are used only for their intended purposes. The most recent session of the State Legislature has demonstrated that both the Legislative and the Executive are willing to "raid" these funds in order to address cash shortfalls.

**APPENDIX I:
CALCULATION OF ECONOMIC IMPACTS**

Calculation of the Direct Impacts Associated with Real Property / Mortgage Foreclosure Case Backlogs		
Item	Description	Value
1	Estimated number of R.P. / Mortgage Foreclosure cases in Florida's Courts ¹	286,349
2	Estimated Average Case Delay in months ²	16.77
3	Estimated Average loan size, and estimated property value ³	\$218,851
4	Estimated Average loan interest rate ³	7.39%
5	Estimated decline in Real Property Market Values	
	- Percentage Decline in Market Value due to market conditions ⁴	32.23%
	- Percentage Decline in Market Value due to property in Foreclosure	20.00%
	Total Decline in Value of Foreclosed Properties	52.23%
6	Avg. Foreclosure Cases Disposed of each month (Jan'06 - Oct'08) ²	8,136
7	Legal and other Costs associated with Case Delays:	
	- Expenses of Attorney and Staff to remain current on each case ⁵	\$125.00
	- Monthly Average Cost of additional Depositions and other case related activities ⁵	\$166.67
	Monthly Direct Impact Calculations - Foreclosure Cases	
A.	Additional Legal and other Case Related Expenses (per case)	
	- Attorney and Staff Legal Expenses	\$125.00
	- Monthly Average of Depositions and other case related activities	<u>\$166.67</u>
	Total Monthly Legal and case related expenses:	\$291.67
	Times, Estimated cases filed but not disposed of by courts	286,349
	Equals, Additional Legal and other Case related Expenses - Monthly	\$83,518,458
	Equals, Additional Legal and other Case related Expenses - Annual	\$1,002,221,500
B.	Foregone Interest Income	
	Average Loan Size	\$218,851
	Times, Average Interest Rate	7.39%
	Times, Estimated cases filed but not disposed of by courts	286,349
	Equals Foregone Interest Income - Monthly	\$385,699,752
	Equals Foregone Interest Income - Annual	\$4,628,397,022

C.	Declines in Property Value due to delays in the Foreclosure Process:		
	Estimated Property Value at commencement of Foreclosure		\$218,851
	Decline in value due to market conditions (per property)*	32.23%	\$70,535.68
	- Decline in value due to foreclosure process (per property)	20.00%	\$43,770.20
	Total decline in property values (per property)		\$114,305.88
	Average Number of Foreclosure cases disposed of by courts each month		8,136
	Total reduction in property value of foreclosed properties - Monthly		\$356,114,347
	Total reduction in property value of foreclosed properties - Annually		\$4,273,372,166
D.	Estimated Annual Direct Impact of Foreclosure Case Delays:		
	- Additional legal and other case related expenses:		\$1,002,221,500
	- Foregone Interest Income:		\$4,628,397,022
	- Declines in foreclosed property value due to delays in foreclosure process:		\$4,273,372,166
Total estimated annual direct impact of foreclosure case delays:			\$9,903,990,688
*This is excluded from the analysis as it is not driven by the legal process, rather by market conditions.			
Sources: ¹ Office of the State Courts Administrator. ² Calculated by WEG, based on OSCA data. ³ FED of New York data on Sub-Prime and "Alt-A" mortgage loans for Oct 2008. ⁴ Case-Schiller Home Prices Indices (Avg. of data for Miami and Tampa). ⁵ Discussions with The Florida Bar – 1hr@\$125/hour. ⁵ Based on discussions with The Florida Bar. Assumes one additional deposition or other case-related activity every 6 months at an average cost of \$1,000.			

Calculation of the Direct Impacts Associated with Civil Court Case Delays - Excludes Foreclosure		
Item	Description	Value
1	Estimated number of cases (excl. Foreclosure) in Florida's Courts ¹	52,575
2	Estimated Average Case Delay in months ²	5.53
3	Avg. number of non-foreclosure civil cases disposed of each mo. (1/06 - 10/08) ²	8,618
7	Legal and other Costs associated with Case Delays:	
	- Expenses of Attorney and Staff to remain current on each case ⁵	\$125.00
	- Monthly Average Cost of additional Depositions and other case-related activities ⁵	\$166.67
	Direct Impact Calculations - Civil Cases excl. Foreclosure	
A.	Additional Legal and other Case Related Expenses (per case)	
	Attorney and Staff Legal Expenses	\$125.00
	Monthly Average of Depositions and other case related activities	<u>\$166.67</u>
	Total Monthly Legal and case related expenses:	\$291.67
	Times, Estimated cases filed but not disposed of by courts	52,575
	Equals, Additional Legal and other Case related Expenses - Monthly	\$15,334,375
	Equals, Additional Legal and other Case related Expenses - Annual	\$184,012,500
Sources: ¹ Office of the State Courts Administrator. ² Calculated by WEG, based on OSCA data. ⁵ Discussions with the The Florida Bar – 1hr@\$125/hour. ⁵ Based on discussions with The Florida Bar. Assumes one additional deposition or other case-related activity every 6 months at an average cost of \$1,000.		

APPENDIX II:
THE WASHINGTON ECONOMICS GROUP, INC.
PROJECT TEAM



J. ANTONIO "TONY" VILLAMIL

Dean, School of Business of St. Thomas University of Florida
Principal Advisor, The Washington Economics Group, Inc.

Tony Villamil has over thirty years of successful experience as a business economist, university educator and high-level policymaker at both federal and state governments. He has served as a Presidential appointee U.S. Undersecretary of Commerce for Economic Affairs, and is the founder of a successful economic consulting practice, The Washington Economics Group, Inc. (WEG). Since August 2008, Tony is the Dean of the School of Business of St. Thomas University of Miami, while continuing to serve as Principal advisor to the clients of WEG.

Tony is a member of the President's Advisory Committee on Trade Policy and Negotiations in Washington, D.C. He is the immediate past Chairman of the Governor's Council of Economic Advisors of Florida, and during 1999-2000, he directed the Tourism, Trade and Economic Development activities of the State in the Office of Governor Jeb Bush. Presently, he is on the Board of Directors of the Spanish Broadcasting System (NASDAQ), Mercantil Commercebank, N.A. and Enterprise Florida – the State's principal economic development organization.

Among other leadership positions, he served in 2008 as the economist of the Constitutionally mandated Tax and Budget Reform Commission of Florida (TBRC), and is currently Chairman of the Economic Roundtable of the Beacon Council – Miami-Dade County's official economic development organization. He is also a Senior Research Fellow of Florida TaxWatch, an established fiscal and policy research organization of the State. After winning the gubernatorial election in November 2006, then Governor-elect Charlie Crist appointed him as his Economic Advisor during the transition period.

Tony earned bachelor and advanced degrees in Economics from Louisiana State University (LSU), where he also completed coursework for the Ph.D. degree. In 1991, Florida International University (FIU) awarded him a doctoral degree in Economics (hc), for "distinguished contributions to the Nation in the field of economics." He speaks frequently to business, government and university audiences on economic topics, and was until the summer of 2008 a member of the Graduate Business Faculty of Florida International University (FIU).



CHARLES K. YAROS
Associate Consultant for Economics

Chuck Yaros is an Associate Consultant for Economics at The Washington Economics Group, Inc. (WEG). He serves as economic consultant in the areas of financial economics and economic impact studies. Prior to joining WEG he was a Vice President and Portfolio Strategist at Shay Financial Services in Miami where he specialized in developing, implementing and managing interest rate risk and capital optimization strategies for financial institutions.

Mr. Yaros has over 20 years of experience as a business and financial economist, having worked in a number of positions of progressive responsibility in the South Florida business community. Additionally, he has spoken and taught courses on financial risk management.

Chuck received his undergraduate degree in Economics with Honors from Trinity College and his Master's degree in Economics from Duke University, where he also completed course work for the Ph.D. degree.

Chuck and his family are residents of Coral Gables, Florida.

The Washington Economics Group, headquartered in Coral Gables, Florida, has been successfully meeting client objectives since 1993 through strategic consulting services for corporations and institutions based in the Americas. The Group has the expertise, high-level contacts, and business alliances to strengthen a firm's competitive position in the rapidly expanding market places of Florida, and Latin America.

The Washington Economics Group, Inc. (WEG) has been successfully meeting client objectives since 1993 through economic consulting services for corporations, institutions and governments of the Americas. We have the expertise, high-level contacts, and business alliances to strengthen your competitive positioning in the growing marketplaces of Florida and Latin America.

Our roster of satisfied clients, over the past fourteen years, includes multinational corporations, financial institutions, public entities, and non-profit associations expanding their operations in the Americas.

EXCLUSIVE CONSULTING APPROACH:

Each client is unique to us. We spend considerable time and effort in understanding the operations, goals, and objectives of clients as they seek our consulting and strategic advice. We are not a mass-production consulting entity nor do we accept every project that comes to us. We engage a limited number of clients each year that require customized consulting services in our premier areas of specialization. These premier and exclusive services are headed by former U.S. Under Secretary of Commerce, Dr. J. Antonio Villamil, with over twenty-five years of experience as a business executive and as a senior public official of the U.S. and most recently of Florida.

PREMIER CONSULTING SERVICES:

Comprehensive Corporate Expansion Services. Our seamless and customized service includes site selection analysis, development of incentive strategies and community and governmental relations.

Economic Impact Studies highlight the importance of a client's activities in the generation of income, output and employment in the market area serviced by the entity. These studies are also utilized to analyze the impact of public policies on key factors that may affect a client's activities such as tax changes, zoning, environmental permits and others.

Strategic Business Development Services. These services are customized to meet client objectives, with particular emphasis in the growing marketplaces of Florida, Mexico, Central and South America. Recent consulting assignments include customized marketing strategies, country risk assessments for investment decisions and corporate spokesperson activities and speeches on behalf of the client at public or private meetings.

For a full description of WEG capabilities
and services, please visit our website at:
www.weg.com

Representative Client List
1993-2009

Multinational Corporations

- Lockheed Martin
- FedEx Latin America
- IBM
- Motorola
- SBC Communications
- Ameritech International
- Lucent Technologies
- MediaOne/AT&T
- Joseph E. Seagram & Sons, Inc. (Vivendi)
- Microsoft Latin America
- Carrier
- Medtronic
- Phelps Dodge
- Esso Inter-America
- Visa International
- MasterCard International
- Telefonica Data Systems
- Bureau Veritas (BIVAC)
- Merck Latin America
- DMJM & Harris
- DLA Piper
- Wilbur Smith Associates
- PBSJ

Florida-Based Corporations

- Sprint of Florida
- Florida Marlins
- Flo-Sun Sugar Corp.
- Farm Stores
- The BMI Companies
- Spillis Candela & Partners
- The Biltmore Hotel/Seaway
- Trammel Crow Company
- Advantage Capital
- WCI Development Companies
- Iberia Tiles
- Florida Hospital
- Mercy Hospital
- The St. Joe Companies
- Florida Power & Light (FPL)
- International Speedway Corporation

Latin America-Based Institutions

- Federation of Inter-American Financial Institutions (FIBAFIN)
- The Brunetta Group of Argentina
- Association of Peruvian Banks
- Peruvian Management Institute (IPAE)
- *Mercantil Servicios Financieros*, Venezuela
- Allied-Domecq, Mexico
- Fonalledas Enterprises

Financial Institutions

- International Bank of Miami
- Pan American Life
- ABN-AMRO Bank
- Barclays Bank
- Lazard Freres & Co.
- Banque Nationale de Paris
- HSBC/Marine Midland
- Fiduciary Trust International
- Sun Trust Corporation
- First Union National Bank (Wachovia)
- Union Planters Bank of Florida (Regions)
- Bank Atlantic Corp.
- Hemisphere National Bank
- BankUnited, FSB
- Mercantil Commercebank N.A.
- PointeBank, N.A.
- The Equitable/AXA Advisors

Public Institutions, Non-Profit Organizations & Universities

- Baptist Health Systems
- Jackson Health Systems
- Miami-Dade Expressway Authority
- Miami-Dade College
- Miami Museum of Science
- Zoological Society of Florida
- Florida International University
- University of Miami
- *Universidad Politécnica de Puerto Rico*
- *Sistema Universitario Ana G. Méndez (SUAGM)*
- Keiser University
- Full Sail Real World Education
- Florida Agricultural & Mechanical University (FAMU)
- Inter-American Development Bank (IDB)
- United Nations Economic Development Program (UNDP)
- Florida Ports Council
- Florida Sports Foundation
- Florida Citrus Mutual
- Florida Nursing Homes Alliance
- Florida Bankers Association
- Florida Outdoor Advertising Association
- City of Plantation
- City of West Palm Beach
- Economic Development Commission of Lee County
- Economic Development Commission of Miami-Dade (Beacon Council)
- Economic Development Commission of Mid-Florida
- Jacksonville Chamber of Commerce
- SW Florida Regional Chamber of Commerce
- Enterprise Florida, Inc.
- The Beacon Council
- Visit Florida
- Louisiana Committee for Economic Development
- University of South Florida/*ENLACE*
- Space Florida
- State of Florida