

BRIEF

**AN ECONOMIC IMPACT ANALYSIS OF THE PROPOSED AMENDMENT 4
ON THE ECONOMIC DEVELOPMENT OF FLORIDA**

Prepared by:

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I. EXECUTIVE SUMMARY

- ❑ The Washington Economics Group estimated the impacts of the passage of Amendment 4 on Florida’s economy based on the expected negative effects on employment (jobs), Labor Income, Florida Gross Domestic Product (GDP) and federal, state and local tax revenues.
- ❑ Economic impact simulations were conducted under two different scenarios to quantify likely economic impacts:
 - A **Moderate Impact Scenario**, based under the assumption that only a modest percentage of new real estate developments in residential and commercial activity will require a referendum to amend comprehensive growth plans.
 - A **Most Likely Scenario**, given the restrictiveness of Amendment 4’s language, where a significant 25 percent of new real estate-related expansion by key Florida industries will require a referendum to amend comprehensive growth plans.
- ❑ Given the two scenarios, the summary economic impacts are presented in Table ES-1 below and ES-2 on the next page.

<i>Impact on:</i>	<i>Direct</i>	<i>Indirect & Induced</i>	<i>Total Impact</i>
Employment (Jobs)	50,000	56,652	106,652
Labor Income (\$ Mill.)	2,479	2,243	4,722
Florida Gross Domestic Product (\$ Mill.)	2,831	3,714	6,545
Federal, State & Local Tax Revenues (\$ Mill.)	-----	-----	1,626
Total Economic Impact (\$ Mill.)	7,451	6,420	13,871

Source: The Washington Economics Group, Inc.

- ❑ The overall adverse impacts displayed in Tables ES-1 above and ES-2 on the next page highlight the significant losses of high-wage employment, labor income, economic output and public revenues throughout the State of Florida.

Table ES-2. Summary of the Potential Adverse Economic Impacts Arising from the Passage of Amendment 4 to Florida’s Economy: Most Likely Scenario

<i>Impact on:</i>	<i>Direct</i>	<i>Indirect & Induced</i>	<i>Total Impact</i>
Employment (Jobs)	125,616	141,631	267,247
Labor Income (\$ Mill.)	6,199	5,608	11,806
Florida Gross Domestic Product (\$ Mill.)	7,077	9,285	16,362
Federal, State & Local Tax Revenues (\$ Mill.)	-----	-----	4,065
Total Economic Impact (\$ Mill.)	18,627	16,049	34,676

Source: The Washington Economics Group, Inc.

- Further, the number of jobs endangered in each economic sector by Amendment 4’s potential impacts on Florida’s economic activity is detailed by industry categories in Table ES-3 below. In the **Moderate Scenario**, of the 106,652 total jobs lost because of Amendment 4’s adverse impacts, 38 percent are lost in the Construction sector, 35 percent are lost in Knowledge-Based Services sectors, and the remaining 27 percent lost are distributed among other economic sectors of the Florida economy such as Retail Trade and Manufacturing.

Table ES-3. Florida Jobs Endangered by the Passage of Amendment 4 to Florida’s Economy: Moderate Scenario

<i>Industry</i>	<i>Jobs Supported</i>
Construction	40,276
Knowledge-Based Services	36,874
Retail Trade	13,524
Wholesale Trade & Transportation Services	5,120
Visitor Industry	3,991
Manufacturing	2,967
Government & Other	3,900
Total All Industries	106,652

Source: The Washington Economics Group, Inc.

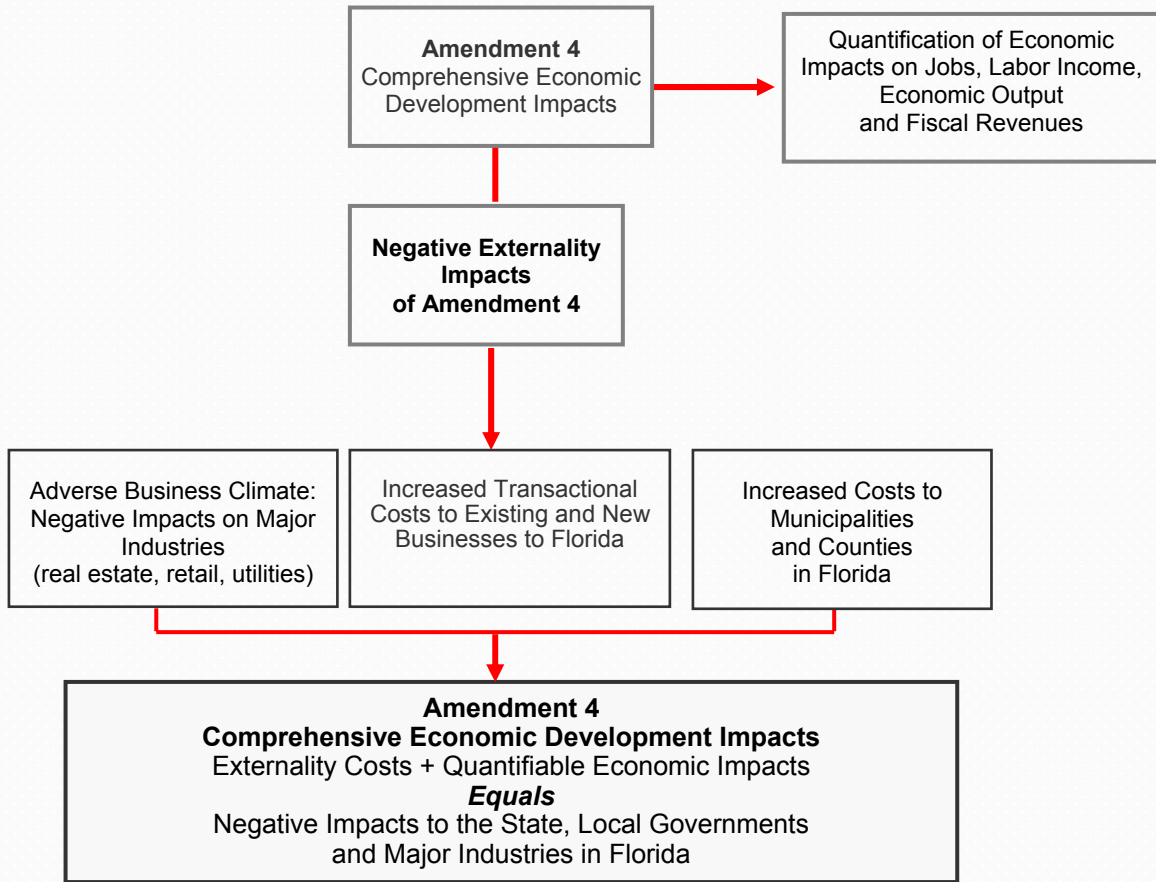
- The losses of Florida jobs under the **Most Likely Scenario** are very high. Table ES-4 on the next page shows that of the 267,247 total jobs lost, 38 percent are in the Construction sector, 34 percent are in the Knowledge-Based Services sector, and the remaining 28 percent are distributed among other economic sectors of the Florida economy.

<i>Industry</i>	<i>Jobs Supported</i>
Construction	101,307
Knowledge-Based Services	92,182
Retail Trade	33,811
Wholesale Trade & Transportation Services	12,801
Visitor Industry	9,979
Manufacturing	7,417
Government & Other	9,750
Total All Industries	267,247

Source: The Washington Economics Group, Inc.

- ❑ Under both scenarios, Florida's economic dynamism is lost. This would permanently impact the economic growth potential for Florida, causing a steady decline in the standard of living of all Florida residents. Further, permanently impacting employment and growth within major industries and job-generating activities.
- ❑ Additionally, Florida's tax revenues would **sharply slow** as a result of Amendment 4's passage as fewer commercial and residential properties will be developed due to the increased costs and uncertainty associated with each comprehensive land-use plan referendum. This would force local and state governments to either raise taxes or cut services. Public schools, public safety and local health care services would suffer from both the direct impact of Amendment 4 (delay construction until the next election) and the indirect impact of fewer tax revenues from which to fund needed operations and capital investments.
- ❑ **In essence, Amendment 4's passage will have potentially devastating consequences to Florida's economy at a time when the economic situation at both the state and national levels is uncertain and at a time when attracting new businesses to Florida is essential for the future recovery and prosperity of the state and its residents.**
- ❑ Furthermore, the significant adverse externalities that would result from the passage of Amendment 4 and that would affect the whole economy of Florida, include the loss of jobs, loss of potential new businesses expanding to and locating in Florida and the loss of high-wage and high-skill jobs in sectors that may not be directly impacted by Amendment 4. The externality impacts (non-quantified) that would be the result of Amendment 4 if passed, go beyond the quantification of the negative economic impacts of the industries most affected. **These impacts are presented on the following page, utilizing a systemic approach.**

**A System Approach:
Adverse Impacts Resulting from the Passage of Amendment 4:**



Source: The Washington Economics Group (WEG).

- ❑ The economic impacts are conservative estimates as they do not include, over time, dynamic impacts such as declines in population and new industry expansion that will not be realized in Florida as a result of the negative economic growth impacts of Amendment 4. These are externality costs that would be placed on society in general, by the passage of Amendment 4.
- ❑ In essence, the downside effects to the standard of living of Floridians as a result of the passage of Amendment 4 are significant and likely to be higher than the potential impacts contained in this Study.
- ❑ A more comprehensive study including dynamic and externality impacts would be the subject of a new study focusing on the permanent, negative impacts to Florida. Such impacts to be expanded from this more limited study are the larger declines in population, jobs and Labor Income that would result from passage of Amendment 4 in Florida.

II. OVERVIEW OF EXPECTED NEGATIVE IMPACTS OF AMENDMENT 4 ON FLORIDA'S ECONOMIC DEVELOPMENT

The Washington Economics Group, Inc. (WEG) has been retained to prepare an economic impact scenario analysis of the likely impacts of the proposed Amendment 4, also known as 'Hometown Democracy', to Florida's economy. In the November 2010 general election, Florida's voters will be asked to vote on whether or not Amendment 4 shall become a part of the state's Constitution.

Amendment 4 will require that all changes to local government land-use plans be approved by voters prior to becoming effective. A wide range of real estate development professionals, market analysts, and local government officials expect that the approval of Amendment 4 will significantly increase the time and cost involved in making changes to community land-use plans, as **all changes** will have to be voted on and approved by voters in the affected communities. These analysts expect that the greatest impacts of Amendment 4 will be on large-scale commercial and residential developments, as the design and construction of these projects typically involve revisions to approved land-use plans. Smaller commercial and residential projects are less likely to be impacted by Amendment 4 as they are normally designed to be in harmony with the existing community and to take advantage of the existing development framework and land-use requirements.

To gauge the potential impact that the passage of Amendment 4 would have on Florida's economy, WEG estimated the negative impacts on Florida's economy under two scenarios as presented in the next section. Discussions with market professionals, government officials, and other knowledgeable individuals have led WEG to conclude that these projections are a reasonable and conservative estimate of the potential impacts of the passage of Amendment 4 in the fall of 2010.

The Minnesota IMPLAN Group, Inc. (MIG) provides the software and basic data needed to formulate the economic multiplier model developed for this report. MIG has been providing economic multiplier models for regional economic impact analysis since 1985¹. Models developed using IMPLAN software have been widely used by the private sector, academic economists, and by federal, state and local government agencies to measure the economic impacts of various policy alternatives.

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

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*.

The declines in construction activity projected from the approval of Amendment 4 will generate significant quantifiable economic impacts. These adverse impacts, estimated by utilizing the professionally accepted and widely used IMPLAN methodology, demonstrate the potential loss of high-wage employment, labor income, economic output and public revenues in throughout the State of Florida. **Therefore, the potential economic outcomes expected from the passage of Amendment 4 will result in significant adverse economic impacts to Florida and its residents.** These negative impacts are discussed in the following section.

III. THE QUANTIFICATION OF LIKELY ECONOMIC IMPACTS OF AMENDMENT 4 UNDER TWO SCENARIOS

To estimate the sensitivity of Florida's economy to the potential downside risks, WEG developed two impact scenarios. The first is a Moderate Impact Scenario that was conducted based on the assumption that only a modest percentage of new real estate development in residential and commercial activity will require a referendum to amend comprehensive growth plans. The second scenario is the Most Likely Scenario of impacts resulting from Amendment 4, and was estimated given the **restrictiveness** of Amendment 4's language, wherein new real estate-related expansion by key Florida industries will require a voter referendum. **The untimely threat of losing a significant number of jobs across all industries in Florida as a result of Amendment 4's passage is significant.**

The full text of Amendment 4 as it will appear on the 2010 ballot is the following:

Public participation in local government comprehensive land-use planning benefits the conservation and protection of Florida's natural resources and scenic beauty, and the long-term quality of life of Floridians. Therefore, before a local government may adopt a new comprehensive land-use plan, or amend a comprehensive land-use plan, such proposed plan or plan amendment shall be subject to vote of the electors of the local government by referendum, following preparation by the local planning agency, consideration by the governing body as provided by general law, and notice thereof in a local newspaper of general circulation. Notice and referendum will be as provided by general law. This amendment shall become effective immediately upon approval by the electors of Florida.

Source: www.floridahomethowndemocracy.com

Amendment 4's restrictive language creates the following undue consequences:

- **Requires Floridians to vote by referendum on every comprehensive land-use plan change,**
- **Requires cities and counties to hold elections for each proposed comprehensive plan change- not just major projects,**
- **Stifles growth and job creation at a time when Florida needs it most- this is bad policy for the future of the state and its residents,**
- **Becomes time consuming and creates costly processes for businesses locating and/or expanding in Florida- therefore, halting job creation in all sectors of the economy.**

A. The Moderate Scenario

The *direct impact* of the foregone real estate development under the Moderate Impact Scenario is comprised of all of the expenditures for labor and materials that would have been used in the capital projects phases of the development processes necessary to expand key industries of Florida such as residential construction, retail, energy, manufacturing and others. Utilizing the *direct* economic impacts discussed above, *indirect* and *induced* economic impacts of the foregone real estate development were calculated using an extended *input-output* model of the Florida economy. These negative comprehensive *direct*, *indirect* and *induced* economic impacts are summarized in Table 1 below.

<i>Impact on:</i>	<i>Direct</i>	<i>Indirect & Induced</i>	<i>Total Impact</i>
Employment (Jobs)	50,000	56,652	106,652
Labor Income (\$ Mill.)	2,479	2,243	4,722
Florida Gross Domestic Product (\$ Mill.)	2,831	3,714	6,545
Federal, State & Local Tax Revenues (\$ Mill.)	-----	-----	1,626
Total Economic Impact (\$ Mill.)	7,451	6,420	13,871
Source: The Washington Economics Group, Inc.			

An estimated 106,652 high-wage jobs for Florida residents are at risk directly or indirectly from the potential adverse impacts associated with the passage of Amendment 4. Real estate development and other capital projects phase activities are directly responsible for 50,000 jobs in the Construction, Knowledge-Based Services, and related support sectors. However, it is critical to realize that real estate development’s indirect and induced job creation process reaches deeply into all sectors of the Florida economy. This dramatically demonstrates the close supply inter-relationships that the Construction and Knowledge-Based Services sectors have with all of the other sectors of the Florida economy. An additional 29,000 jobs will be negatively impacted and endangered due to indirect economic effects (mostly suppliers). Lastly, induced spending effects of potentially foregone real estate development will endanger almost 28,000 jobs in all sectors of the Florida economy.

Therefore, under the Moderate Impact Scenario, the total number of at risk jobs, directly, indirectly and induced, potentially endangered by the passage of Amendment 4 and the associated adverse impacts on real estate development is estimated at 106,652.

The types of jobs endangered in each economic sector by Amendment 4’s potential adverse impacts on Florida real estate development is summarized in Table 2 below. Of the 106,652 jobs endangered by potentially foregone real estate development, 38 percent will be lost in the Construction sector, 35 percent in the Knowledge-Based Services sectors, and the remaining 27 percent are distributed among other economic sectors of the Florida economy.

<i>Industry</i>	<i>Jobs Supported</i>
Construction	40,276
Knowledge-Based Services	36,874
Retail Trade	13,524
Wholesale Trade & Transportation Services	5,120
Visitor Industry	3,991
Manufacturing	3,900
Government & Other	2,967
Total All Industries	106,652

Source: The Washington Economics Group, Inc.

This Moderate Impact Scenario analysis also demonstrates the impact on real estate development process, an important source of high wage jobs for Florida’s workers. Foregoing almost \$7.45 billion in real estate development activity each year has the adverse potential to reduce the income of Florida’s workers by over \$4.7 billion each year. Of this total \$2,480 million of Labor Income would be lost as a result of the foregone development activities, \$1,218 million of Labor Income would potentially be lost in indirect economic activities, and \$1,025 million of Labor Income would potentially be lost by the induced economic activities.

In summary, endangered real estate development activities and their estimated impacts on key Florida industries are expected to cause a loss of over \$4,722 million in Labor Income, with the largest proportion of the loss generated from the Construction and Knowledge-Based Services economic sectors as shown in Table 3 on the following page.

<i>Industry</i>	<i>Total Impact</i>
Construction	1,852,660
Knowledge-Based Services	1,644,830
Retail Trade	391,034
Government & Other	319,113
Wholesale Trade & Transportation Services	274,807
Manufacturing	153,629
Visitor Industry	86,525
Total All Industries	\$4,722,598
Source: The Washington Economics Group, Inc.	

Gross Domestic Product, or Value Added, arising from the real estate development activities that are endangered by the proposed Amendment 4 is another measure of economic benefits that real estate development brings to Florida and is at risk of being lost. Value added is the portion of business revenues that is available to pay compensation to workers, capital income and indirect business taxes². Value added is also the principal source of household income and a key measure of the contributions that the development activities being analyzed make to the Florida economy each year. The endangered economic development activities have the potential to adversely impact \$2,831 million of Gross Domestic Product directly, while another \$1,808 million of Gross Domestic Product is potentially lost in indirect activities, and \$1,906 million of Gross Domestic Product is lost by the induced economic activities. In total, these endangered real estate development activities have the potential to generate just under \$6,545 million in Gross Domestic Product each year- thus a potentially devastating loss to Florida. Table 4 on the next page summarizes the Gross Domestic Product impacts in each sector of the Florida economy associated with the real estate development activities potentially endangered by the passage of Amendment 4.

² Value added also includes compensation to government workers.

<i>Industry</i>	<i>Total Impact</i>
Construction	2,181,648
Knowledge-Based Services	2,125,626
Government & Other	813,545
Retail Trade	435,806
Wholesale Trade & Transportation	435,806
Manufacturing	228,097
Visitor Industry	130,738
Total All Industries	\$6,544,934
Source: The Washington Economics Group, Inc.	

A final and comprehensive measure of the total economic impact of the real estate development activities analyzed 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 economic impact of real estate development activities that are potentially endangered by the proposed Amendment 4 to Florida’s Constitution is estimated at a significant \$13.9 billion annually.** Of this total, \$7.5 billion is lost by *direct* activities, while an additional \$6.4 billion is adversely impacted by *indirect* and *induced* activities. Table 5 below shows the industry distribution of the \$13.9 billion endangered in total economic impact.

<i>Industry</i>	<i>Total Impact</i>
Construction	6,103,780
Knowledge-Based Services	3,988,893
Retail Trade	1,183,517
Government & Other	956,930
Wholesale Trade & Transportation Services	706,549
Manufacturing	688,242
Visitor Industry	242,461
Total All Industries	\$13,870,372
Source: The Washington Economics Group, Inc.	

In addition to the various economic impacts presented, the potentially endangered real estate development activities could negatively affect significant fiscal revenues for federal, state, and local governments as shown in Table 6 below. Each year, over \$1.6 billion of fiscal revenues generated by real estate development activities would be endangered by the passage of Amendment 4. Of this total, \$1.2 billion, or 72 percent, would not flow to the federal government, with the remaining \$0.5 billion, or 28 percent, of tax revenues allocated to state and local governments would be endangered.

<i>Taxes Paid By</i>	<i>Federal Taxes</i>	<i>State/Local Taxes</i>	<i>Total Taxes</i>
Labor	\$480,556	\$8,839	\$489,395
Capital	26,656	-----	26,656
Households	500,507	30,608	531,115
Corporations	122,484	44,802	167,286
Indirect Business Taxes	41,267	370,454	411,721
Total:	\$1,171,470	\$454,703	\$1,626,173
Source: The Washington Economics Group, Inc.			

The impacts of the **Moderate Scenario** are fairly optimistic, impacting only a modest percentage of real estate developments necessary to expand economic activity. However, the following **Most Likely Scenario** presents a much larger negative impact. Given the restrictive nature of the language contained in Amendment 4, WEG believes that these adverse effects on Florida's economy are most likely.

B. The Most Likely Scenario: Severe Impacts on Florida's Economy and Key Industries can be Expected

In the second scenario, the Most Likely Scenario, it is assumed that the real estate contraction that impacts key Florida industries is **more severe and prolonged as a result of passage of Amendment 4** and that as a consequence, 125,616 jobs (or approximately 25 percent of the workforce in the development industry) are directly endangered. In the Most Likely Scenario, the foregone expenditures associated with the real estate development that will **not** occur if the proposed Amendment 4 to Florida's Constitution is approved by the state's voters in November 2010 will result in **larger adverse economic impacts that extend well beyond those directly related to the real estate development process**. These larger "spillover" or

multiplier impacts are the result of each business activity’s supply relationships with other firms operating within the region, the proportion of business value added³ that accrues to households in the form of labor and capital income, and the propensity of households to spend income on goods produced within the local area.

The *direct impact* of the foregone real estate development of key Florida industries is comprised of all of the expenditures for labor and materials that would have been used in the capital projects phases of the development process. Utilizing the *direct* economic impacts discussed above, *indirect* and *induced* economic impacts of the foregone real estate development were calculated using an extended *input-output* model of the Florida economy. These negative comprehensive *direct*, *indirect* and *induced* economic impacts are summarized in Table 7 below.

<i>Impact on:</i>	<i>Direct</i>	<i>Indirect & Induced</i>	<i>Total Impact</i>
Employment (Jobs)	125,616	141,631	267,247
Labor Income (\$ Mill.)	6,199	5,608	11,807
Florida Gross State Product (\$ Mill.)	7,077	9,285	16,362
Federal, State & Local Tax Revenues (\$ Mill.)	-----	-----	4,065
Total Economic Impact (\$ Mill.)	18,627	16,049	34,676
Source: The Washington Economics Group, Inc.			

An estimated 267,247 high-wage jobs for Florida residents are at risk directly or indirectly from the potential adverse impacts associated with the passage of Amendment 4 in the Most Likely Scenario. In this scenario, real estate development and other capital projects-phase activities are directly responsible for endangering 125,616 jobs in the Construction, Knowledge-Based Services, retail and related support industrial sectors. **However, it is critical to realize that real estate development’s indirect and induced job creation process reaches deeply into all sectors of the Florida economy.** This dramatically demonstrates the close supply inter-relationships that the Construction and Knowledge-Based Services sectors have with all of the other sectors of the Florida economy. An additional 72,247 jobs are endangered due to indirect economic effects (mostly suppliers). Lastly,

³“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.

induced spending effects of potentially foregone real estate development will endanger over 69,380 jobs in all sectors of the Florida economy. **Therefore, the total number of jobs, directly, indirectly and induced, potentially endangered by the passage of Amendment 4 and the associated adverse impacts on real estate development in the Most Likely Scenario are estimated at 267,247 – a very significant potential reduction in Florida employment opportunities.**

The number of jobs endangered in the Most Likely Scenario in each economic sector by Amendment 4’s potential adverse impacts on Florida real estate development is summarized in Table 8 below. Of the 267,247 jobs endangered by potentially foregone real estate development, 38 percent are in the Construction sector, 35 percent are in Knowledge-Based Services sectors, and the remaining 27 percent are distributed among other economic sectors of the Florida economy such as retail industries, manufacturing and others.

<i>Industry</i>	<i>Jobs Supported</i>
Construction	101,307
Knowledge-Based Services	92,182
Retail Trade	33,811
Wholesale Trade & Transportation Services	12,801
Visitor Industry	9,979
Government & Other	9,750
Manufacturing	7,417
Total All Industries	267,247
Source: The Washington Economics Group, Inc.	

The analysis of the Most Likely Scenario also demonstrates that the real estate development process is an important source of high wage jobs for Florida’s workers. Foregoing almost \$18.6 billion in development activity each year has the potential to reduce the income of Florida’s workers by over \$11.8 billion each year. Of this total \$6,199 million of Labor Income would be *directly* impacted by the development activities, \$3,045 million of Labor Income would potentially be lost in *indirect* economic activities, and \$2,562 million of Labor Income would potentially be affected by *induced* economic activities.

In essence, under the Most Likely Scenario, endangered real estate development activities are estimated to result in a loss of \$11,806 million in Labor Income, with the

largest proportion of income generated from the Construction and Knowledge-Based Services economic sectors as shown in Table 9 below.

<i>Industry</i>	<i>Total Impact</i>
Construction	4,631,650
Knowledge-Based Services	4,112,076
Retail Trade	977,586
Government & Other	797,782
Wholesale Trade & Transportation Services	687,018
Manufacturing	384,071
Visitor Industry	216,312
Total All Industries	\$11,806,495
Source: The Washington Economics Group, Inc.	

Gross Domestic Product (GDP), or Value Added, arising from the real estate development activities that are endangered by this proposed Amendment is another measure of economic benefits that real estate development brings to Florida and would be affected. Value added is the portion of business revenues that is available to pay compensation to workers, capital income and indirect business taxes⁴. Value Added is also the principal source of household income and a key measure of the contributions that the development activities being analyzed make to the Florida economy each year. In the Most Likely Scenario, the endangered economic development activities have the potential to adversely impact the \$7,077 million of GDP directly, while another \$4,521 million of GDP is potentially at risk because of the indirect activities, and \$4,464 million of GDP is potentially impacted by induced economic activities. In total, the endangered real estate development activities have the potential to be a \$16,362 million loss in GDP each year to the State of Florida.

Table 10 on the next page summarizes the Most Likely Scenario impacts on GDP in each sector of the Florida Economy associated with the real estate development activities potentially endangered by the passage of Amendment 4. **The largest amounts of GDP endangered by this Amendment in this scenario arise in the Knowledge-Based Services**

⁴ Value added also includes compensation to government workers.

and the Construction sectors where 66 percent of the Florida Gross State Product is created by real estate development in key industry sectors.

<i>Industry</i>	<i>Total Impact</i>
Knowledge-Based Services	5,454,120
Construction	5,314,066
Government & Other	2,033,862
Retail Trade	1,573,686
Wholesale Trade & Transportation	1,089,515
Manufacturing	570,242
Visitor Industry	326,845
Total All Industries	\$16,362,335

Source: The Washington Economics Group, Inc.

A final and comprehensive measure of the total economic impact of the real estate development activities analyzed 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 economic impact of economic activities potentially endangered by the proposed Amendment 4 to Florida's economy in the Most Likely Scenario is an estimated \$34.7 billion annual loss. Of this total, \$18.6 billion is lost in *direct* activities, while an additional \$16.0 billion in *indirect* and *induced* activities is in danger. Table 11 below shows the industry distribution of the \$34.7 billion in total economic impact.

<i>Industry</i>	<i>Total Impact</i>
Construction	15,259,450
Knowledge-Based Services	9,972,232
Government & Other	2,958,794
Retail Trade	2,392,325
Wholesale Trade & Transportation Services	1,766,372
Manufacturing	1,720,605
Visitor Industry	606,152
Total All Industries	\$34,675,929

Source: The Washington Economics Group, Inc.

In addition to the various economic impacts presented in the Most Likely Scenario, the potentially endangered real estate development activities could represent a loss of significant fiscal revenues for federal, state, and local governments as shown in Table 12 below. **Each year in the Most Likely Scenario, almost \$4.1 billion of fiscal revenues are adversely impacted by real estate development activities endangered by the passage of Amendment 4.** Of this total, over \$2.9 billion, or 72 percent, will be lost to the federal government, with the remaining \$1.1 billion, or 28 percent, of tax revenues would be at risk for state and local governments.

Table 12. Fiscal Revenues Potentially Endangered by the Passage of Amendment 4 to Florida's Economy in the Most Likely Scenario (\$ Thousands)			
<i>Taxes Paid By</i>	<i>Federal Taxes</i>	<i>State/Local Taxes</i>	<i>Total Taxes</i>
Labor	\$ 1,201,391	\$ 22,096	\$1,223,487
Capital	66,639	-----	66,639
Households	1,251,268	76,520	1,327,788
Corporations	306,210	112,005	418,215
Indirect Business Taxes	103,167	926,137	1,029,304
Total:	\$2,928,675	\$1,136,758	\$4,065,433
Source: The Washington Economics Group, Inc.			

**Appendix I:
METHODOLOGY**

IMPLAN MODEL

The multiplier impacts calculated by the IMPLAN model are based on input-output methodology, which explicitly considers the inter-industry linkages that exist within an economy. Each industry needs labor and inputs from other industries in order to produce economic output. Whenever an industry experiences an increase in the demand for its output, many other industries within that economy indirectly experience an increase in demand as well because of these inter-industry linkages. This increase in demand that results from the need for material inputs is called the *indirect effects*. In addition, an increase in production within a region also leads to an increase in household income through the hiring of workers, which in turn generates further demands for goods and services within the region. Firms also need to expand their base of physical capital to meet higher levels of demand, and this too stimulates regional economic growth. The latter effects are referred to as *induced effects*. The inter-industry linkages and the induced effects on consumer and capital spending lead to successive rounds of production, and this process results in an increase in output that exceeds the initial change in demand, or a *multiplier effect*. Similarly, the increase in household income will exceed the initial payroll increase encountered in the industry that experienced the original increase in demand. The total change in employment in the regional economy is a multiple of the direct change in employment.

The following represents the system of equations that comprise the regional economy in an extended input-output model like IMPLAN:

$$\begin{aligned}x_1 &= a_{11}x_1 + a_{12}x_2 + a_{13}x_3 + \cdots + a_{1k}x_k + a_{1h}x_h + a_{1i}x_i + f_1 \\x_2 &= a_{21}x_1 + a_{22}x_2 + a_{23}x_3 + \cdots + a_{2k}x_k + a_{2h}x_h + a_{2i}x_i + f_2 \\x_3 &= a_{31}x_1 + a_{32}x_2 + a_{33}x_3 + \cdots + a_{3k}x_k + a_{3h}x_h + a_{3i}x_i + f_3 \\&\vdots \\x_k &= a_{k1}x_1 + a_{k2}x_2 + a_{k3}x_3 + \cdots + a_{kk}x_k + a_{kh}x_h + a_{ki}x_i + f_k \\x_h &= a_{h1}x_1 + a_{h2}x_2 + a_{h3}x_h + \cdots + a_{hk}x_k + a_{hh}x_h + a_{hi}x_i + f_h \\x_i &= a_{i1}x_1 + a_{i2}x_2 + a_{i3}x_h + \cdots + a_{ik}x_k + a_{ih}x_h + a_{ii}x_i + f_i\end{aligned}$$

The variables x_1 to x_k represent total production of output in each industry. The coefficients a_{ij} represent the purchases from industry “i” that are needed to produce a dollar of output in industry “j”. These are known as the *direct requirement* coefficients. The variable x_h refers to household income and the coefficients a_{ih} refer to the average amount of household income spent on purchases from industry “i”, or the *average propensities to consume*. The coefficients a_{hi} are similar to the inter-industry purchases (a_{ij} ’s), but they represent the household income that is generated from each dollar of output produced in industry “i”. Similarly the variable x_c represents regional spending on capital goods, and the coefficients a_{ij} represents the spending on capital goods for each dollar of output produced in industry “j”. The coefficients a_{ji} represent the amount purchased from industry “j” for each dollar spent on capital goods within the region. The variables f_j represent the exogenous final demand faced by each industry, respectively.

This system of equation reduces, using matrix notation, to the following solution for industry output and household income:

$$X = (I - A)^{-1} F$$

X is the vector of industry outputs plus household income and F is a vector of exogenous final demands. The “output multipliers” (i.e., the change in industry output and household income that results from a change in final demand for the output of a particular industry) are given in the columns of the $(I-A)^{-1}$ matrix. The IMPLAN software calculates these multipliers for counties, states and other sub-state regions. These multipliers can be used to provide a sense of the economic importance of an industry or an economic activity in a given region. The multipliers impacts for Gross Domestic Product, labor and capital income and the government revenue impacts are derived from the basic output multipliers given by $(I-A)^{-1}$.

The IMPLAN model uses historical relationships between public-sector revenues and regional economic output in order to estimate the public-sector revenue impact resulting from the establishment of a new, or the expansion of an existing economic activity.

**Appendix II:
DETAILED IMPACT TABLES**

DETAILED IMPACT TABLES

Within the main portion of the Study the economic impacts are presented at a summary level. *Direct*, *Indirect*, and *Induced* Impacts are aggregated into the Total Impact, and Industries are summarized by function. The following tables present detailed impacts at the two-digit NAICS industry classification level.

The following industry sector summarizations are used in the Study.

1. **Government & Other** is the sum of: Agriculture & Forestry, Mining, Utilities, Company Management, and Government & Other.
2. **Knowledge-Based Services** is the sum of: Information, Finance & Insurance, Real Estate, Professional Services, Administrative, Educational Services, Health & Social Services, Arts, Entertainment & Recreation, and Other Services.
3. **Wholesale Trade & Transportation Services** is the sum of: Wholesale Trade, and Transportation & Warehousing.
4. The **Accommodation and Food Services** sector was renamed to **Visitor Industry**.

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Most Likely Scenario

Table A-1. Estimated Florida Jobs at Risk if Amendment 4 is Approved in 2010				
Industry	Impacts			
	Direct	Indirect	Induced	Total
Agriculture & Forestry	0.0	332.9	455.9	788.8
Mining	0.0	58.9	47.9	106.8
Utilities	0.0	155.8	280.0	435.8
Construction	100,616.0	399.1	291.4	101,306.5
Manufacturing	0.0	6,215.5	1,201.0	7,416.5
Wholesale Trade	0.0	3,885.1	2,522.4	6,407.5
Transportation & Warehousing	0.0	4,420.0	1,973.3	6,393.3
Retail Trade	0.0	19,780.1	14,030.9	33,811.0
Information	0.0	1,835.3	987.9	2,823.1
Finance & Insurance	0.0	2,708.9	3,990.4	6,699.3
Real Estate	0.0	3,348.3	3,267.1	6,615.4
Professional Services	18,750.0	13,772.6	3,113.4	35,636.0
Company Management	6,250.0	742.3	470.0	7,462.3
Administrative	0.0	9,309.3	3,217.9	12,527.1
Educational Services	0.0	92.9	2,099.6	2,192.5
Health & Social Services	0.0	3.5	14,197.6	14,201.1
Arts, Entertainment & Recreation	0.0	920.6	1,914.6	2,835.3
Accommodation & Food Services	0.0	1,980.3	7,998.4	9,978.6
Other Services	0.0	1,930.1	6,723.9	8,654.0
Government & Other	0.0	355.8	600.3	956.0
Total:	125,616	72,247.0	69,383.6	267,246.9
Source: The Washington Economics Group, Inc.				

Table A-2. Annual Labor Income of Florida's Workers Endangered if Amendment 4 is Approved in 2010 (\$ in Thousands)

Industry	Impacts			
	Direct	Indirect	Induced	Total
Agriculture & Forestry	0.0	9,854.6	7,985.1	17,839.8
Mining	0.0	3,052.9	1,713.3	4,766.1
Utilities	0.0	16,257.0	28,867.6	45,124.6
Construction	4,599,568.6	18,508.8	13,572.5	4,631,649.9
Manufacturing	0.0	317,960.0	66,111.3	384,071.3
Wholesale Trade	0.0	253,250.8	164,417.0	417,667.8
Transportation & Warehousing	0.0	185,477.8	83,872.5	269,350.3
Retail Trade	0.0	573,367.3	404,218.3	977,585.5
Information	0.0	115,226.1	63,671.5	178,897.6
Finance & Insurance	0.0	163,942.8	237,386.5	401,329.3
Real Estate	0.0	91,555.3	82,073.5	173,628.8
Professional Services	1,024,819.0	805,575.4	175,899.1	2,006,293.5
Company Management	574,365.3	68,206.9	43,194.9	685,767.0
Administrative	0.0	270,447.4	93,968.1	364,415.5
Educational Services	0.0	3,114.3	63,919.5	67,033.8
Health & Social Services	0.0	134.0	641,608.8	641,742.8
Arts, Entertainment & Recreation	0.0	25,082.1	52,375.0	77,457.1
Accommodation & Food Services	0.0	49,836.0	166,475.8	216,311.8
Other Services	0.0	58,899.9	142,378.0	201,277.9
Government & Other	0.0	15,844.8	28,440.1	44,284.9
Total:	6,198,752.9	3,045,593.8	2,562,148.3	11,806,494.9

Source: The Washington Economics Group, Inc.

Table A-3_. Florida Gross Domestic Product at Risk if Amendment 4 is Approved in 2010 (\$ in Thousands)

Industry	Impacts			
	Direct	Indirect	Induced	Total
Agriculture & Forestry	0.0	16,077.8	16,175.3	32,253.0
Mining	0.0	6,025.4	4,050.1	10,075.5
Utilities	0.0	56,966.9	100,235.4	157,202.3
Construction	5,280,525.4	19,577.3	13,963.4	5,314,066.0
Manufacturing	0.0	461,834.8	108,406.9	570,241.6
Wholesale Trade	0.0	450,867.3	292,715.0	743,582.3
Transportation & Warehousing	0.0	239,958.8	105,974.4	345,933.1
Retail Trade	0.0	924,593.6	649,092.1	1,573,685.8
Information	0.0	198,990.8	134,893.5	333,884.3
Finance & Insurance	0.0	273,407.0	406,626.9	680,033.9
Real Estate	0.0	340,716.6	319,099.8	659,816.4
Professional Services	1,056,677.6	902,287.3	205,507.6	2,164,472.5
Company Management	740,120.9	87,890.6	55,660.5	883,672.0
Administrative	0.0	327,536.1	116,842.3	444,378.4
Educational Services	0.0	3,462.8	70,515.6	73,978.4
Health & Social Services	0.0	174.1	742,639.6	742,813.8
Arts, Entertainment & Recreation	0.0	32,726.6	75,270.8	107,997.4
Accommodation & Food Services	0.0	80,617.5	246,227.4	326,844.9
Other Services	0.0	70,700.6	176,044.1	246,744.8
Government & Other	0.0	26,185.6	924,473.5	950,659.1
Total:	7,077,323.9	4,520,597.3	4,764,414.0	16,362,335.1

Source: The Washington Economics Group, Inc.

Table A-4. Florida Annual Economic Output Endangered if Amendment 4 is Approved in 2010 (\$ in Thousands)

Industry	Impacts			
	Direct	Indirect	Induced	Total
Agriculture & Forestry	0.0	47,154.8	34,737.4	81,892.1
Mining	0.0	17,334.3	16,057.5	33,391.8
Utilities	0.0	73,635.3	131,180.4	204,815.6
Construction	15,181,833.0	45,763.3	31,854.0	15,259,450.3
Manufacturing	0.0	1,301,548.8	419,055.9	1,720,604.6
Wholesale Trade	0.0	668,561.3	434,047.6	1,102,608.9
Transportation & Warehousing	0.0	461,855.8	201,907.4	663,763.1
Retail Trade	0.0	1,403,852.8	988,471.9	2,392,324.6
Information	0.0	448,226.5	302,259.6	750,486.1
Finance & Insurance	0.0	479,488.8	762,648.4	1,242,137.1
Real Estate	0.0	531,245.9	479,424.9	1,010,670.8
Professional Services	2,200,523.0	1,705,183.9	375,507.9	4,281,214.8
Company Management	1,244,660.6	147,805.6	93,604.3	1,486,070.5
Administrative	0.0	503,930.9	189,566.1	693,497.0
Educational Services	0.0	5,892.5	115,643.0	121,535.5
Health & Social Services	0.0	352.6	1,217,583.9	1,217,936.5
Arts, Entertainment & Recreation	0.0	57,543.5	121,813.6	179,357.1
Accommodation & Food Services	0.0	137,972.3	468,179.4	606,151.6
Other Services	0.0	140,448.5	334,948.6	475,397.1
Government & Other	0.0	60,651.9	1,091,971.8	1,152,623.6
Total:	18,627,016.6	8,238,448.8	7,810,463.4	34,675,928.8

Source: The Washington Economics Group, Inc.

Table A-5. Fiscal Contributions Calculations (\$ in Thousands)

Taxes Paid By	Federal Taxes	State/Local Taxes	Total Taxes
Annual Fiscal Revenues in Danger if Amendment 4 is Approved			
Labor	\$1,201,390.6	\$22,096.4	\$1,223,487.0
Capital	\$66,638.8	\$0.0	\$66,638.8
Households	\$1,251,268.3	\$76,520.3	\$1,327,788.5
Corporations	\$306,210.1	\$112,005.0	\$418,215.1
Indirect Business Taxes	\$103,167.6	\$926,136.3	\$1,029,303.9
Total:	\$2,928,675.4	\$1,136,757.9	\$4,065,433.3

Source: The Washington Economics Group, Inc.

Moderate Scenario

Industry	Impacts			
	Direct	Indirect	Induced	Total
Agriculture & Forestry	0.0	133.2	182.4	315.5
Mining	0.0	23.6	19.2	42.7
Utilities	0.0	62.3	112.0	174.3
Construction	40,000.0	159.7	116.6	40,276.2
Manufacturing	0.0	2,486.2	480.4	2,966.6
Wholesale Trade	0.0	1,554.1	1,009.0	2,563.0
Transportation & Warehousing	0.0	1,768.0	789.3	2,557.3
Retail Trade	0.0	7,912.1	5,612.4	13,524.4
Information	0.0	734.1	395.2	1,129.3
Finance & Insurance	0.0	1,083.6	1,596.2	2,679.7
Real Estate	0.0	1,339.3	1,306.9	2,646.2
Professional Services	7,500.0	5,509.1	1,245.4	14,254.4
Company Management	2,500.0	296.9	188.0	2,984.9
Administrative	0.0	3,723.7	1,287.2	5,010.9
Educational Services	0.0	37.2	839.9	877.0
Health & Social Services	0.0	1.4	5,679.1	5,680.5
Arts, Entertainment & Recreation	0.0	368.3	765.9	1,134.1
Accommodation & Food Services	0.0	792.1	3,199.4	3,991.5
Other Services	0.0	772.1	2,689.6	3,461.6
Government & Other	0.0	142.3	240.1	382.4
Total:	50,000.0	28,898.8	27,753.5	106,652.3
Source: The Washington Economics Group, Inc.				

Table B-2. Annual Labor Income of Florida's Workers Endangered if Amendment 4 is Approved in 2010 (\$ in Thousands)

Industry	Impacts			
	Direct	Indirect	Induced	Total
Agriculture & Forestry	0.0	3,941.9	3,194.1	7,135.9
Mining	0.0	1,221.2	685.3	1,906.5
Utilities	0.0	6,502.8	11,547.1	18,049.9
Construction	1,839,827.5	7,403.5	5,429.0	1,852,660.0
Manufacturing	0.0	127,184.0	26,444.5	153,628.5
Wholesale Trade	0.0	101,300.3	65,766.8	167,067.1
Transportation & Warehousing	0.0	74,191.1	33,549.0	107,740.1
Retail Trade	0.0	229,346.9	161,687.3	391,034.2
Information	0.0	46,090.5	25,468.6	71,559.1
Finance & Insurance	0.0	65,577.1	94,954.6	160,531.7
Real Estate	0.0	36,622.1	32,829.4	69,451.5
Professional Services	409,927.6	322,230.2	70,359.7	802,517.4
Company Management	229,746.1	27,282.8	17,278.0	274,306.8
Administrative	0.0	108,179.0	37,587.3	145,766.2
Educational Services	0.0	1,245.7	25,567.8	26,813.5
Health & Social Services	0.0	53.6	256,643.5	256,697.1
Arts, Entertainment & Recreation	0.0	10,032.9	20,950.0	30,982.9
Accommodation & Food Services	0.0	19,934.4	66,590.3	86,524.7
Other Services	0.0	23,560.0	56,951.2	80,511.2
Government & Other	0.0	6,337.9	11,376.1	17,714.0
Total:	2,479,501.2	1,218,237.5	1,024,859.3	4,722,598.0

Source: The Washington Economics Group, Inc.

Table B-3. Florida Gross State Product at Risk if Amendment 4 is Approved in 2010
(\$ in Thousands)

Industry	Impacts			
	Direct	Indirect	Induced	Total
Agriculture & Forestry	0.0	6,431.1	6,470.1	12,901.2
Mining	0.0	2,410.2	1,620.1	4,030.2
Utilities	0.0	22,786.8	40,094.2	62,880.9
Construction	2,112,210.2	7,830.9	5,585.4	2,125,626.4
Manufacturing	0.0	184,733.9	43,362.8	228,096.7
Wholesale Trade	0.0	180,346.9	117,086.0	297,432.9
Transportation & Warehousing	0.0	95,983.5	42,389.8	138,373.3
Retail Trade	0.0	369,837.5	259,636.9	629,474.3
Information	0.0	79,596.3	53,957.4	133,553.7
Finance & Insurance	0.0	109,362.8	162,650.8	272,013.6
Real Estate	0.0	136,286.7	127,639.9	263,926.6
Professional Services	422,671.1	360,914.9	82,203.1	865,789.0
Company Management	296,048.4	35,156.3	22,264.2	353,468.8
Administrative	0.0	131,014.5	46,736.9	177,751.4
Educational Services	0.0	1,385.1	28,206.3	29,591.4
Health & Social Services	0.0	69.7	297,055.9	297,125.5
Arts, Entertainment & Recreation	0.0	13,090.7	30,108.3	43,199.0
Accommodation & Food Services	0.0	32,247.0	98,491.0	130,738.0
Other Services	0.0	28,280.3	70,417.7	98,697.9
Government & Other	0.0	10,474.3	369,789.4	380,263.7
Total:	2,830,929.6	1,808,238.9	1,905,765.6	6,544,934.1

Source: The Washington Economics Group, Inc.

Table B-4. Florida Annual Economic Output Endangered if Amendment 4 is Approved in 2010 (\$ in Thousands)

Industry	Impacts			
	Direct	Indirect	Induced	Total
Agriculture & Forestry	0.0	18,861.9	13,895.0	32,756.9
Mining	0.0	6,933.7	6,423.0	13,356.7
Utilities	0.0	29,454.1	52,472.2	81,926.3
Construction	6,072,733.2	18,305.3	12,741.6	6,103,780.1
Manufacturing	0.0	520,619.5	167,622.4	688,241.9
Wholesale Trade	0.0	267,424.5	173,619.1	441,043.6
Transportation & Warehousing	0.0	184,742.3	80,763.0	265,505.3
Retail Trade	0.0	561,541.1	395,388.8	956,929.9
Information	0.0	179,290.6	120,903.9	300,194.5
Finance & Insurance	0.0	191,795.5	305,059.4	496,854.9
Real Estate	0.0	212,498.4	191,770.0	404,268.3
Professional Services	880,209.2	682,073.6	150,203.2	1,712,485.9
Company Management	497,864.3	59,122.3	37,441.7	594,428.2
Administrative	0.0	201,572.4	75,826.5	277,398.8
Educational Services	0.0	2,357.0	46,257.2	48,614.2
Health & Social Services	0.0	141.1	487,033.6	487,174.6
Arts, Entertainment & Recreation	0.0	23,017.4	48,725.5	71,742.9
Accommodation & Food Services	0.0	55,188.9	187,271.8	242,460.7
Other Services	0.0	56,179.4	133,979.5	190,158.9
Government & Other	0.0	24,260.8	436,788.7	461,049.5
Total:	7,450,806.7	3,295,379.5	3,124,185.4	13,870,371.5

Source: The Washington Economics Group, Inc.

Table B-5. Fiscal Contributions Calculations (\$ in Thousands)

Taxes Paid By	Federal	State / Local	Total
	Taxes	Taxes	Taxes
Annual Fiscal Revenues in Danger if Amendment 4 is Approved			
Labor	\$480,556.3	\$8,838.6	\$489,394.8
Capital	\$26,655.5	\$0.0	\$26,655.5
Households	\$500,507.3	\$30,608.1	\$531,115.4
Corporations	\$122,484.1	\$44,802.0	\$167,286.1
Indirect Business Taxes	\$41,267.1	\$370,454.5	\$411,721.6
Total:	\$1,171,470.2	\$454,703.2	\$1,626,173.3

Source: The Washington Economics Group, Inc.