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What the Federal Stimulus Means for Florida

Funding Provides Significant Short-Term Aid To Florida's Budget, But Doesn't Solve Our Long-Term Revenue Problems.

The sweeping federal stimulus plan signed into law last week will direct as much as \$12 billion into Florida state government over the next two years. These funds will provide some support in balancing the state budget and should reduce severe budget cuts during the legislative session that begins March 3.

However, the additional federal money is non-recurring, which means that it will not be available to plug holes in Florida's budget after the 2010 - 2011 fiscal year. When the stimulus program ends, the state will need to generate additional revenues to make up for the federal funding, substantial budget cuts enacted over the last two years, and transfers of non-recurring funds from trust funds. This is in addition to the normal growth in state programs due to increased need.

Therefore, the Center advocates a comprehensive review and modernization of Florida's revenue system - beginning in this year's legislative session - to create a fairer, more stable structure adequate to serve Florida's needs.

(For the Center's recommendations, see [Florida's Fiscal Crisis: The Prescription](#). The Center's previous report, [Florida's Fiscal Crisis: The Problem](#), details the extent of budget cuts and the harm they cause to Floridians.)

Initial estimates for Florida indicate that between \$3 billion and \$5 billion will be available to help fill a \$5 billion hole in the state's Fiscal Year 2009 - 2010 budget. The Governor's Office suggests the higher figure and some legislative leaders the lower. Their estimates differ and we cannot definitively provide an independent estimate because the stimulus legislation is complex and spending rules are incomplete and sometimes unclear, which leads to uncertainties about the acceptable uses and timing of spending.

In addition to funding that flows directly to our state treasury, billions of dollars more will be paid directly to Floridians in the form of tax cuts and through programs such as unemployment compensation and food stamps. Even more spending will occur in Florida as a result of the so-called "shovel-ready" construction projects discussed in debate about the stimulus program.

Major Stimulus Funding Categories

Federal funds that directly assist state operating funds come primarily from two programs: (1) increased Medicaid funding, which will provide the most money to Florida; and (2) a State Fiscal Stabilization Fund, the largest part designed to prevent cuts to education services and a discretionary block grant program that can be used for education or other basic state services.

1. Medicaid.

The stimulus act will result in almost \$4.4 billion in new federal money to Florida for its Medicaid program. In addition, the state will be able to keep another \$700 million that it had budgeted to pay for its share of the joint federal/state Medicaid program. Both the new money and the savings are the result of the stimulus act provision that increase the percentage of Medicaid costs paid by the federal government and decrease the state percentage.

In total, the stimulus act's Medicaid provisions (new and retained dollars) are estimated to boost Florida's treasury by \$5.164 billion--\$1.304 billion in the current 2008 – 2009 fiscal year; \$1.858 billion in FY 2009 – 2010; and \$2.002 billion in FY 2010-2011.

To qualify for the additional Medicaid funds, states must not have Medicaid eligibility requirements more restrictive than those that existed on July 1, 2008. For Florida this will require the Legislature to restore the Medically Needy Program and the Medicaid for the Aged and Disabled Program scheduled to end in July 2009 under current law.

2. State Fiscal Stabilization Fund.

Florida should be eligible for \$2,212.0 billion to avoid budget cuts in K-12 and higher education. However, Florida must obtain a waiver from the Secretary of Education from the requirement that states fund both K-12 and higher education at no less than the FY 2005 - 2006 level in the current fiscal year and the two following. The Legislature has made education budget cuts since 2006 in response to declining state revenue, leaving Florida's current education spending below the 2005- 2006 level. (The Governor's Office and education officials have expressed confidence that the state will obtain the waiver, allowing these funds to flow to Florida.)

An additional \$492.2 million can be used, at the discretion of the state, for education or other basic state services, such as modernization and repair of educational facilities, public safety, child care or services for the elderly and people with disabilities.

Other Aid to Florida

Hundreds of millions of additional dollars will be received and spent in Florida through a variety of other, mostly smaller programs. Some of them directly enhance existing programs serving Floridians, involve one-time expenditures, or pass money through the state to local governments. These funds therefore might not directly add to Florida's general revenue budget, but will provide benefits in other areas. Examples include:

- \$476 million in additional unemployment compensation contingent upon the Legislature adopting specific reforms to the unemployment compensation system which could benefit thousands of part-time workers. The additional funds boost unemployment payments with an additional \$25 a week for an estimated 761,000 unemployed Floridians, and extend unemployment compensation for 22 weeks for about 170,000 unemployed workers;
- \$1.44 billion for transportation projects;
- \$158.8 million for job training; summer youth programs and other employment services, most distributed through regional workforce boards;
- \$1.38 billion in additional funding for special education and Title I school funding, vocational rehabilitation and educational technology;
- \$20.9 million for food stamp administration by the state, in addition to an increase in food-stamp benefits for 1.7 million Floridians receiving nutritional assistance;
- \$84.7 million for temporary emergency funding in the TANF (Temporary Assistance for Needy Families) program;
- \$105.3 million for child care and Head Start programs.

In addition, the stimulus program provides an estimated \$9.85 billion in tax cuts for individuals and businesses, including \$400 per individual or \$800 per couple for about 6.4 million Florida taxpayers. An expanded child tax credit also is expected to benefit up to 800,000 children of low-income Floridians.

The Governor's budget office estimates the federal spending boost (not including tax cuts) at \$12.2 billion for state programs in the 2008 - 09, 2009 - 2010 and 2011 - 2012 fiscal years.

Implications for the 2009 Legislative Session

Federal stimulus funding relieves much of the pressure to enact harmful budget cuts in this year's legislative session. These federal dollars are a bridge to help us through the current economic storm. If used wisely, the new money also may free up other state dollars that can be used to prevent or restore budget reductions that have damaged vital state programs.

However, the stimulus does not eliminate the need for a comprehensive review and modernization of Florida's revenues, as the Center has recommended.

For more detailed explanations of the funding, see the Center for Budget and Policy Priorities [Economy Recovery Watch](#) series. For preliminary estimates and plans from the Governor's Office, see this [memo](#).