



## Board of Directors Meeting

March 12, 2009

Session/Legislative Update

Item VI. B.

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<b>Recommended Action:</b>	<b>Information Only</b>
<b>Issue:</b>	<b>State and Federal Legislative Update</b>
<b>Strategic Plan Goal:</b>	<b>Increase the efficiency of JWB's work</b>

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### State Budget Update

On February 20, 2009, Governor Crist submitted his proposed budget for FY2009-10. The \$66.5 billion budget proposal includes recommendations for investing \$3.2 billion of the federal stimulus dollars from the American Recovery and Reinvestment Act of 2009 during the current fiscal year, and \$4.7 billion in 2009-10. To receive education funding, however, Florida must restore state funding to the FY 2006 levels in FY 2009, 2010, and 2011.

Initial analysis of the Governor's Budget indicates the following funding for children and families:

- KidCare - additional \$52 million, to cover costs associated with increased enrollment and utilization of health care services
- VPK - \$17.9 million to maintain VPK at \$367.3 million to serve anticipated enrollment growth and to maintain the base student allocation adopted in the 2009 Special Session
- School Readiness - \$670.5 million in state funds to provide child care to 153,975 children, plus Federal funding of \$51.6 million in Fiscal Year 2009-10
- Juvenile Justice - \$636.5 million to fund juvenile justice programs
- School Health Nurse Services - \$9 million to maintain current levels

The 2009-10 portion of Florida's three-year, \$12.2-billion share of Federal Stimulus funding is intended to support Florida's critical programs and infrastructure needs. Without these funds, Florida's 2009-10 budget would drop to \$61.8 billion and require additional reductions and cuts to important programs and projects. According to the White House, the stimulus dollars are projected to create and retain more than 206,000 jobs for Floridians over three years. Attached is a synopsis of stimulus program areas that would benefit children and families.

While the economic stimulus package provides relief to states, there are many questions regarding how the money can be used, and concerns that the three year phase-in is too slow for the extreme fiscal circumstances in many states. There are additional concerns that the upcoming federal budget general appropriation to states will be drastically reduced as a result of the stimulus package, thus delaying the inevitable for states as they deal with declining revenues. As the Legislature prepares for regular session, the economic forecast for Florida could be reduced by \$5 to \$6 billion at the start of the state fiscal year on July 1. Some legislators are leery because the Governor's proposal is based on one-time, limited-use dollars. The state Constitution requires a supermajority vote of the Legislature if more than 3 percent of recurring expenses are from one-time money sources.

### **House and Senate**

The House and Senate Appropriations Committees met during the week of February 9 – 13, 2009 to prepare for the budget process for the regular session beginning March 3, 2009. The House has begun a line item review of the budget based on the core, critical, and discretionary needs of each agency, and is considering a 15% across-the-board cut amounting to \$3.5 billion. The incoming House Speaker, Larry Cretul is known as a low-key, conservative and is not likely to support new or increasing taxes.

The Senate is conducting a strategic line-by-line review of state agency spending while waiting for the details of the economic stimulus package and the Governor's budget proposal. The Senate President supports increasing the tax on cigarettes and repealing some sales tax exemptions.

### **Property Tax Reform**

Governor Crist is proposing a new set of property tax reforms that would continue to reduce the property tax revenue for counties, cities, and special districts. The Children's Policy Team will follow these proposals as they move through the legislative process.

#### **1. First Time Homeowners Exemption**

Grants a 50% exemption, limited to \$250,000, to homeowners who have not previously owned a home in Florida; it is reduced by the larger of 20% or the Save-our-homes differential

#### **2. Presumption of Correctness**

This bill removes the presumption of correctness and requires the challenger of the assessment (in most cases, the property owner) to prove that the assessment is incorrect.

### 3. Reduction of Growth Cap

The proposal will reduce the growth cap on non-homestead properties from 10% to 5%.

### 4. Local Government Revenue Cap

- Limits increases in local government revenues to inflation and growth, as measured by the value of new construction.
- Provides for adjustments if programs are transferred from state to local governments, or vice versa.
- Allows for increases above the cap based upon various types of super-majority votes by governing bodies.

### 5. Repeal of Automatic 3% cap on assessed value

The constitutional amendment repeals the automatic 3% increase on assessed value of homesteads when their market values are decreasing. It replaces the 3% with no increase in assessed value. Early estimates of reduced revenue from School Districts and Local Government are identified in Table 1 below:

Table 1. Gov. Office Estimated Property Tax Reform Proposal Impacts (\$ amounts in Millions)

Property Tax Reform Proposals	Government*	FY09-10	FY10-11	FY11-12	FY12-13
<b>Repeal of 3%Cap</b>	Schools			(\$ 8.9)	(\$ 26.4)
	Local Gov't			(\$ 12.3)	(\$ 36.6)
<b>First Time Homeowners Exemption</b>	Schools			(\$ 27.2)	(\$ 51.9)
	Local Gov't			(\$ 36.9)	(\$ 70.4)
<b>Reduction of Growth Cap</b>	Local Gov't			(\$ 130.3)	(\$ 325.4)
<b>Presumption of Correctness</b>	Schools	(\$ 38.7)	(\$ 79.0)	(\$ 121.2)	(\$ 167.0)
	Local Gov't	(\$ 51.9)	(\$ 105.8)	(\$ 162.4)	(\$ 223.7)
<b>Totals</b>	Schools	(\$ 38.7)	(\$ 79.0)	(\$ 157.3)	(\$ 245.3)
	Local Gov't	(\$ 51.9)	(\$ 105.8)	(\$ 341.9)	(\$ 656.1)

\*Special Districts not included - official estimates pending from The Office of Economic Demographics and Research (EDR)

## **FEDERAL UPDATE**

### **American Recovery and Reinvestment Act**

The following issue-based synopsis identifies areas where children and families benefit under the stimulus legislation signed by President Obama.

#### **Child Care:**

The economic recovery package will provide an additional \$2 billion in child care funding under the Child Care and Development Block Grant (CCDBG). These are federal funds that do not require a state match. Florida is expected to receive \$105 million in CCDBG dollars, with \$8.7 million designated for quality improvement and \$5 million targeted for activities to improve the quality of care for infants and toddlers.

#### **Child Support:**

The stimulus includes \$1 billion to temporarily suspend a provision in the Deficit Reduction Act of 2006 that reduced federal child support funding by 20 percent. The DRA eliminated the longstanding federal match on incentive payments that states earn and reinvest in the program based on their performance rates. This funding will be available to states and counties through September 30, 2010. The funding will allow families to continue to receive child support payments and prevent imminent cutbacks in the child support program. Florida can draw down an estimated \$100 million.

#### **Child Tax Credit/Earned Income Tax Credit Expansion:**

The Child Tax Credit provides a partially refundable federal income tax credit of up to \$1,000 per child (under 17) to help offset the costs of raising a child. The stimulus temporarily expands the Child Tax Credit by lowering the eligibility level, called the “refundability threshold,” to make the credit available to tax filers with at least \$3,000 of earnings. Under prior law, the credit was typically available only to those with earnings of \$8,500 or more in tax year 2008 and \$12,550 in tax year 2009.

The stimulus will also expand the EITC and provide marriage penalty relief for tax year 2009 and 2010. Families with three or more children will qualify for a credit equal to 45% of their first \$12,570 of earned income – with a maximum credit for these families of \$5,657. The stimulus will also expand the EITC for married workers filing a joint return (increasing marriage penalty relief).

Assistance provided under these provisions will provide especially effective stimulus because it is well targeted to the lowest-income families who are most likely to spend the money. Data from the Tax Policy Center show that about 90 percent of the benefits of lowering the threshold from its 2008 level will go to the bottom two-fifths of Americans.

### **Food Stamp (or Supplemental Nutrition Assistance) Program:**

The stimulus includes \$20 billion for the Food Stamp Program, recently renamed the Supplemental Nutrition Assistance Program. Most of this amount (about \$19 billion) would be used to fund a 13.6 percent increase to maximum nutrition assistance benefits, which would go into effect in April 2009. *All eligible households — currently about 14 million households containing more than 31 million individuals — will benefit from the increase.* The package also provides \$290.5 million in administrative funds to states to implement the change and help manage rising caseloads during the recession and suspends the three-month time limit on assistance for many unemployed, childless adults for 18 months.

Florida is expected to receive \$879 million to support an increase in nutrition assistance benefits for 1.725 million participants. The state will also receive \$20.7 million to bolster food stamp administration. Food stamps are considered one of the most effective forms of economic stimulus because it allows low-income individuals to utilize their available resources on meeting their daily needs, such as shelter and transportation.

### **State Fiscal Stabilization Fund:**

The economic recovery bill creates a “State Fiscal Stabilization Fund” to help state and local governments avert budget cuts amid the growing state fiscal crisis. The Stabilization Fund provides two block grants for states — a \$39.5-billion grant earmarked for education and an \$8.8-billion grant to help fund and avert budget cuts in other basic state services such as public safety and law enforcement, services for the elderly and persons with disabilities or child care. These funds can also be used for school modernization, renovation or repair. Florida is expected to receive \$2.2 billion for the education block grant and \$492 million for the “flexible” block grant.

### **Temporary Increase in State FMAP:**

The economic recovery bill provides a temporary increase in the share of the Medicaid program paid by the federal government known as the Federal Medical Assistance Percentage (FMAP). The provision will take effect immediately and provide states with approximately \$87 billion in assistance over nine calendar quarters (October 1, 2008 through December 31, 2010). The FMAP increases would apply to the costs of Medicaid benefits and to Title IV-E foster care and adoption assistance (but the increase related to unemployment would not apply to Title IV-E spending). The FMAP increases would not apply to Medicaid Disproportionate Share Hospital (DSH) payments, or to SCHIP and other Title IV programs that have federal matching rates based on the FMAP.

To receive an increased FMAP under this proposal, a state must satisfy two requirements. First, a state may not have Medicaid eligibility levels that are more restrictive than were in effect on July 1, 2008. States whose current eligibility levels do not meet this test would still be eligible to qualify for an increased FMAP if they take action to restore eligibility to July 2008 levels. Second, a state must ensure that it is promptly paying

physicians, hospitals, and nursing homes that provide Medicaid services. Under the stimulus, Florida could receive nearly \$4.4 billion in fiscal relief for state Medicaid costs. It is unclear how the state's Medicaid Reform pilot program will be treated under this provision.

### **Training and Employment Services:**

The stimulus has created extraordinary opportunities in terms of training and employment services for youth. Specifically, \$1.2 billion is allocated for youth services and the express statement of the Senate and House conferees reads: "conferees are particularly interested in these funds being used to create summer employment opportunities for youth and language applying the work readiness performance indicator to such summer jobs is included as appropriate measure for those activities." "Year-round youth activities are also envisioned and the age of eligibility for youth services provided with additional funds is extended through age 24 to allow local programs to reach young adults who have been disconnected from both education and the labor market." This provision will be particularly helpful to the Independent Living youth aging out of foster care.

Specific items impacting youth training, development and workforce issues include:

- \$1.2 billion for grants to States for youth activities, including summer jobs for youth;
- \$50 million for YouthBuild;
- \$13 billion in grants for school districts targeted towards disadvantaged youth;
- \$720 million for "School Improvement Programs," including \$70 million McKinney-Vento grants and subgrants to states and Local Education Agencies (LEA) proportional to the number of homeless students in the States and LEAs;
- \$250 million to upgrade Job Corps facilities; and,
- \$12.2 billion for the Individuals with Disabilities Education Act (IDEA).

### **State Children's Health Insurance Program (SCHIP)**

On February 4<sup>th</sup>, President Obama signed the State Children's Health Insurance Program (SCHIP) reauthorization bill. According to the legislation, states can receive funding to provide coverage for 4 million children who are currently uninsured, end the five-year waiting period on covering legal immigrant children and pregnant women and give overburdened states much needed fiscal relief to keep children in the program. Like other states, Florida must put up \$1 as a match to collect every \$2.20 in federal dollars. The legislation also provides funding that could be used for KidCare promotion. It is unclear, however, exactly how those dollars will be allocated to the state and local governments.