

**Review of Federal Expenditures  
With Particular Emphasis on  
Federal Grant Expenditures to Florida's  
State and Local Governments**

**Preliminary Staff Report**

**February 11, 1998**

**Legislative Committee on Intergovernmental Relations**



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**WHAT ISSUES HAVE BEEN ADDRESSED BY THE LCIR?**

The LCIR completes several projects annually, including the Local Government Financial Information Handbook (prepared jointly with the Florida Department of Revenue and the Economic and Demographic Division of Joint Legislative Management), county constitutional officer salaries, and a report on state mandates affecting municipalities and counties. In addition, the LCIR has addressed the following issues:

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| o Municipal Annexation                   | o State Revenue Sharing Programs         |
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## INTRODUCTION

In fiscal year 1996, federal grants to Florida's state and local governments totaled \$8.4 billion according to expenditure figures published by the U.S. Bureau of the Census. In per capita terms, Florida ranked 48th among the states in the receipt of federal grants. Despite the state's low per capita ranking in the receipt of such funds, federal grants accounted for approximately 25 percent of state revenues in 1996. If Florida had received the same per capita grant expenditure that year as the national average, an additional \$3.4 billion would have been available to state and local governments.

The Legislative Committee on Intergovernmental Relations, as one of its interim projects, has been reviewing the issue of Florida's receipt of federal funds. The stated objective of this interim project was to provide the Florida Legislature with a review and analysis of the current federal funding situation. Of particular concern to the Legislature was the state's low per capita ranking in receipt of federal grants to state and local governments. Therefore, this project is designed to facilitate the development of strategies directed toward the state receiving a more equitable share of federal grant funding.

During the initial phase of this interim project, the LCIR staff researched Medicaid funding and the pending reauthorization of the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA). Both represent two of the largest federally-funded grant programs, as well as two of the largest sources of federal grant funding to Florida. Historically, Florida has not received an equitable share of funds under either program.

This preliminary report constitutes the second phase of the interim project and was written by LCIR staff, in part, in preparation of the third phase of the interim project, the Federal-State Issues Summit. The Summit, scheduled for February 16, 1998, in Tallahassee, will provide an opportunity for Florida's elected congressional and state legislators to discuss policy issues of state importance, including funding issues. The Summit is being sponsored by the Governor, the Senate President, and the House Speaker.

This report discusses the historical context of federal expenditures generally to states, beginning in Part I, with a discussion of data sources and relevant definitions of types of federal expenditures. Federal expenditures in three separate federal fiscal years: 1981, 1988, and 1996, are summarized next. This is followed by a discussion of the historical trend in per capita federal expenditures, by major category of expenditure, for the seven most populous states - Florida being one of those states.

Finally, Part II of the report concludes with a review of Florida's receipt of federal grant expenditures to state and local governments. It examines the per capita grant expenditures to Florida by federal department and agency. This review of the state's per capita ranking in the receipt of federal grant expenditures for particular budget categories is useful for determining in which areas the state may want to focus efforts to increase its share of such funds.

## EXECUTIVE SUMMARY

The Legislative Committee on Intergovernmental Relations, as one of its interim projects, has been reviewing the issue of Florida's receipt of federal funds. The stated objective of this interim project was to provide the Florida Legislature with a review and analysis of the current federal funding situation. Of particular concern to the Legislature is the fact that Florida ranked 48th, on a per capita basis, in receipt of federal grants to state and local governments in fiscal year 1996. Therefore, this project is designed to facilitate the development of strategies directed toward the state receiving a more equitable share of federal grant funding.

This report utilizes 1981, 1988, and 1996 federal expenditure data for all states and U.S. outlying areas that are organized by the U.S. Bureau of the Census for reporting purposes into five major expenditure categories. These five expenditure categories and Florida's relative per capita ranking in 1996 were: *direct payments to individuals* (1st), *grants and other payments to state and local governments* (48th), *procurement contract awards* (23rd), *salaries and wages to federal employees and military personnel* (29th), and *other federal assistance* (41st). When the figures in the five expenditure categories were combined, Florida ranked 13th, on a per capita basis, among the states.

The budget categories used by the U.S. Bureau of the Census for reporting grant expenditures encompass a multitude of federal department and agency allocations. By necessity, these budget categories were used in this report for the analysis of federal expenditures, particularly grant expenditures, to state and local governments. The use of these budget categories, which in many cases contain expenditures of numerous grant programs, does not provide the amount of detail necessary for a thorough analysis of all federal expenditures. However, the data illustrate that Florida has not been receiving its fair share of Medicaid and federal transportation funding, and the state ranks low, on a per capita basis, relative to the other states in the receipt of most other grant program funding.

### ***EFFECT OF FEDERAL EXPENDITURES ON STATES***

Certainly, a key to economic development in any state is the fiscal resources that it can draw into its economy from out-of-state sources. This economic activity has important spin-off effects. The amount of state and local government spending, retailing, banking and finance, construction, real estate, and health care, inevitably increases from this infusion of fiscal resources. As a result, the economic activity generated from out-of-state sources is important to a state's economic growth.

Many state economic development agencies concentrate on private sector activities, such as expanding manufacturing, tourism or trade, in an effort to promote economic growth. However, federal expenditures are a major factor in states' economies. In fiscal year 1996, the federal government expended approximately \$1.4 trillion dollars to make direct payments to individuals, grants to state and local governments, procurement contracts, salary and wage payments to federal

and military employees, and payments for other programs.<sup>1</sup> During fiscal year 1995-96, the State of Florida spent approximately \$10 billion in federal financial assistance.<sup>2</sup>

Federal expenditures can significantly affect the growth of individual state economies. For instance, if the 1996 level of per capita federal expenditure in Florida had been the same as the national average, the state would have lost approximately \$377 per capita or \$5.4 billion in total. Conversely, if the federal government expended the same amount in Florida that year as it did in Virginia (the state having the highest level of per capita federal expenditure), Florida would have gained approximately \$2,037 per capita or \$29.3 billion.<sup>3</sup>

For all states and the District of Columbia, it was found that direct payments to individuals (comprised mostly of Social Security and Medicare payments) increased from approximately 47 percent of total federal expenditures in 1981 to 55 percent in 1996. In addition, grants to state and local governments, as a percentage of total federal expenditures, increased from approximately 13 percent in 1988 to 16 percent in 1996. The relative contribution of the other major expenditure categories, procurement contracts and salaries and wages, to total federal expenditures have been on the decline, concurrent with decreasing amounts of federal military contracts as well as military and federal workforce employment.

#### ***FLORIDA'S RECEIPT OF FEDERAL GRANTS FOR STATE AND LOCAL GOVERNMENTS***

Undeniably, Florida has ranked high, on a per capita basis, in its receipt of federal funds distributed directly to individuals as the result of the state's relatively large elderly population. Certainly, state and local economies benefit to some degree from these entitlement payments directed toward persons who have chosen to reside in Florida. However, a number of factors may influence an individual's decision to live in or relocate to Florida. As a result, lawmakers have little control over the amount, distribution, and use of federal entitlement payments made directly to individuals.

Conversely, Florida historically has ranked low, on a per capita basis, among the states in the receipt of federal grant expenditures. This is significant given the fact that federal grants have been and will continue to be important sources of revenue utilized by state and local governments to provide necessary governmental services to its residents.

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<sup>1</sup> U.S. Bureau of the Census. *Federal Expenditures by State for Fiscal Year 1996*. U.S. Government Printing Office, Washington, DC, 1997.

<sup>2</sup> State of Florida Auditor General. *Report on Audit of the Federal Financial Assistance Programs of the State of Florida for the Fiscal Year Ended June 30, 1996*. State of Florida, Tallahassee, FL, 1997.

<sup>3</sup> LCIR staff calculations made from the data presented in the U.S. Bureau of the Census publication, *Federal Expenditures by State for Fiscal Year 1996* and 1996 population estimates also published by the Census Bureau. Unless otherwise noted, all per capita calculations presented in the remainder of this report were made by LCIR staff using these data.

The major portion of federal aid to state and local governments is provided through federal formula grants. Such grants allocate funds based on mathematical formulas using certain factors and statistical data. The data factors used in the formulas and the weight given to each factor determine how the funding will be distributed to the states. Florida does poorly in obtaining funding under many grant formulas for a variety of reasons. Frequently, for example, the formulas adversely affect growth states, such as Florida.

Federal support of state and local budgets through grant programs shows considerable variation. Some grant funding to select states results from the presence of certain populations or characteristics. For example, large Native American populations trigger additional grants from the U.S. Department of Education for Indian education and from the U.S. Department of the Interior for Indian programs. Special arrangements to share revenue from timber and mineral sales, via the U.S. Department of the Interior's Bureau of Land Management, are important to many western states with large federal land holdings. Another example is the assistance provided to refugees via grant funding provided by the U.S. Department of Health and Human Services (HHS).

The Department of Health and Human Services' grants accounted for approximately 56 percent of all grants to states and the District of Columbia in 1996. States of various population sizes receive the largest per capita grant expenditures. Those states benefit from having certain characteristics such as significant amounts of federal lands or large elderly populations.

A number of interactive factors explain the variations in HHS grant funding, particularly in the areas of Medicaid and Aid to Families with Dependent Children (AFDC, which now has become Temporary Assistance for Needy Families or TANF). These factors include the proportion of the state's population in poverty, the ease of becoming a beneficiary as determined by state eligibility standards, the optional benefits as determined by state decisions, and the percentage of total costs paid by the federal government.

According to expenditure data published by the U.S. Bureau of the Census, Florida's state and local governments received approximately \$8.4 billion in grants and other payments during fiscal year 1996. The grants received from six departments (Health and Human Services, Transportation, Housing and Urban Development, Agriculture, Education, and Labor) accounted for approximately 95 percent of all grant expenditures to Florida that year. In fact, the ten largest grant programs accounted for nearly 89 percent of all grants expenditures to the state in 1996. The ten largest programs and the state's relative per capita ranking were: Health Care Financing Administration-Medicaid (45th), Administration for Children and Families (40th), Food and Consumer Services (28th), Federal Highway Administration (49th), Lower Income Housing Assistance (49th), Office of Elementary and Secondary Education (39th), Employment and Training Administration (40th), Office of Special Education and Rehabilitative Services (41st), Community Development (31st), and Federal Transit Administration (17th).

With the exception of U.S. Department of Agriculture grants, Florida had a 'departmental' per capita ranking that did not exceed 40th among all states and 7th among the seven most populous states. Florida's per capita ranking in six of the ten largest grant categories also did not exceed 40th place. Why Florida ranks low, on a per capita basis, relative to other states in specific grant programs will require a more extensive examination of each program.

Although numerous reasons exist for Florida's low per capita grant funding generally, three known reasons are of particular significance. First, many funding formulas are based on outdated population figures or other factors that do not reflect the state's unprecedented growth in recent decades or its current situation. Second, Florida has not aggressively pursued all federal funding options. Third, Florida must have the support of the majority of representation in both houses of Congress in order to revise past funding formula inequities. This support is difficult to obtain since many states stand to lose federal funds under revised formulas that would benefit Florida.

The per capita federal grant expenditure to the most favored state in 1996 was nearly three and one-half times the per capita expenditure to the least favored state. If Florida had received the same per capita grant expenditure that year as the national average, an additional \$3.4 billion would have been available to state and local governments. To put such an increase into a state perspective, this amount would represent approximately 7.5 percent of the \$45.1 billion budget proposed by the Chiles Administration for fiscal year 1998-99, according to LCIR staff calculations.<sup>4</sup> Consequently, Florida's elected federal, state, and local officials should have considerable interest in influencing the state's receipt of federal grant funding.

Although the task of increasing the state's receipt of federal grants may seem daunting, the Florida Legislature should strive to assist the Florida Congressional Delegation in this effort. The state should work to form coalitions with other states that experience similar funding inequities, especially large population, high growth states such as California and Texas. Additionally, the state's elected officials should send clear and unified messages urging the Delegation to move forward with those proposals that will increase Florida's receipt of federal funds. Finally, there should be regular contact between members and staff of the Florida Legislature and the Florida Congressional Delegation on issues of state importance, particularly issues of federal funding.

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<sup>4</sup> Executive Office of the Governor. *Governor's Budget 1998-99*. State of Florida, Tallahassee, FL, 1998.



## I. HISTORICAL CONTEXT

### A. Introduction

The distribution of federal expenditures has significant effects on the finances of state and local governments as well as important impacts on a state's residents. Federal expenditures are distributed through a wide array of criteria. Changes in criteria for receiving those expenditures have had unequal impacts on state budgets and economies in the past. Likewise, future changes in criteria are very likely to affect individual states quite differently.

This part of the report presents contextual information on the states' historical distribution of federal expenditures, addressing total expenditures and the major federal expenditure categories. The data and analyses should offer the reader a basis for understanding those expenditures to Florida's state and local governments and assessing the state's strategies for increasing its fair share of certain types of expenditures, particularly grants to state and local governments.

### B. Data Source and Definitions of Types of Federal Expenditures

The source for the data used in this report is a U.S. Bureau of the Census annual publication entitled, *Federal Expenditures by State*. LCIR staff utilized reports detailing federal expenditures, by federal budget categories, to states for the 1981, 1988, and 1996 federal fiscal years. This annual publication presents federal expenditures, listed by department and agency, to state and U.S. outlying areas.

In order for the reader to understand the data presented in this report, it is necessary to define the five major categories of expenditure. ***Direct payments to individuals*** represented the largest category of federal expenditure in fiscal year 1996. Social Security and Medicare payments constituted nearly 76 percent of total payments to individuals that year. These payment figures are compiled from amounts reported by federal agencies for over two dozen programs and represent obligations of federal funds. The spending involved is sent directly to individuals in the form of Social Security or veterans' pensions or to service providers as reimbursement for something done for identifiable individuals such as reimbursing grocers for accepting food stamps. Social Security, Supplemental Security Income, and Medicare amounts reflect obligations during the fiscal year, with the state-by-state distribution estimated. Retirement and disability payments for federal civilian and military personnel represent actual expenditures during the fiscal year.

***Grants to state and local governments*** represented the second largest expenditure category in fiscal year 1996. These awards represent actual cash outlays made during the fiscal year. There are approximately 400 separate federal programs that provide grants to state and local governments. Grants awarded by the U.S. Department of Health and Human Services constituted approximately 56 percent of total federal grant funding in fiscal year 1996. Included in this category are:

1. Direct cash grants to state or local governments.
2. Payments for grants-in-kind such as purchases of commodities distributed to state or local governments.
3. Payments to nongovernmental entities when such payments result in cash or in-kind services passed on to state or local governments.
4. Payments to regional commissions and organizations that are redistributed to the state or local level.
5. Federal payments to state and local governments for research and development that is an integral part of the provision of public services.
6. Federal revenues shared with state and local governments.

**Procurement contracts** awarded by the federal government represented the third largest category of expenditure in fiscal year 1996. Contracts awarded by the U.S. Department of Defense accounted for approximately 64 percent of the total value of awards that year. Statistics covering the value of federal procurement contracts of the Defense Department and non-defense agencies were obtained from the U.S. Postal Service (USPS) and the Federal Procurement Data Center (FPDC). Amounts provided by the USPS represent actual outlays for contractual commitments while amounts reported by the FPDC represent the value of obligations for contract actions and do not reflect actual federal expenditures.

The fourth largest category of expenditure in fiscal year 1996 was **salaries and wages**. The amounts reported in this category represent military and civilian payroll statistics of the U.S. Department of Defense and non-defense agencies. Salary and wages of employees in non-defense agencies constituted 57 percent of total federal salary and wage expenditures in fiscal year 1996. All amounts represent actual outlays during the fiscal year with the national total distributed among the states on an estimated basis.

The final category of federal expenditure is **other programs**. This category reflects those federal grants other than those awarded to state and local governments and generally represents federal obligations, based upon awards of financial assistance. In addition, this category includes direct payments other than those to individuals. These payment amounts generally represent obligations incurred during the fiscal year. In fiscal year 1996, direct payments other than those to individuals accounted for approximately 54 percent of total expenditures in this category.

Expenditure amounts not included in the *Federal Expenditures by State* publication reflect data that could not be distributed by state or U.S. outlying area, or that were not available. Examples of such amounts include net interest on the national debt, international payments and foreign aid, current operational expenses included under salaries or procurement, expenditures for selected agencies such as the Central Intelligence Agency and National Security Agency, and foreign outlays.

Federal departments and agencies provide all published data. Data are reviewed for accuracy and consistency, and compared to actual outlays in the federal budget to assure reasonableness and

coverage; however, no attempt is made by the U.S. Census Bureau to account for all federal expenditures as reported in the federal budget, or as presented in the U.S. Census Bureau's annual report on government finances.

### C. Total Federal Expenditures in States and U.S. Outlying Areas

Comparisons of total federal expenditures are presented for three separate fiscal years: 1981, 1988, and 1996. The purpose of analyzing these fiscal year "snapshots" is to examine how the composition of expenditures has changed at three points in time during this fifteen year period.

#### 1. Federal Expenditures in 1981

As illustrated by *Table 1*, federal expenditures to states and U.S. outlying areas totaled approximately \$551 billion in 1981. Direct payments to individuals constituted nearly half of total expenditures (see *Chart 1*) that could be traced to individual states. Procurement contracts, grants to state and local governments, and salaries and wages were the second, third, and fourth largest sources of federal expenditures, respectively.

<u>Expenditure Category</u>	<u>Amount (\$ billion)</u>	<u>% of Total</u>
Direct Payments to Individuals	\$259.5	47.1
Procurement Contracts	117.0	21.2
Grants to State and Local Governments	94.8	17.2
Salaries and Wages	74.2	13.5
Other Programs	5.4	1.0
<b>Total</b>	<b>\$550.9</b>	<b>100.0</b>

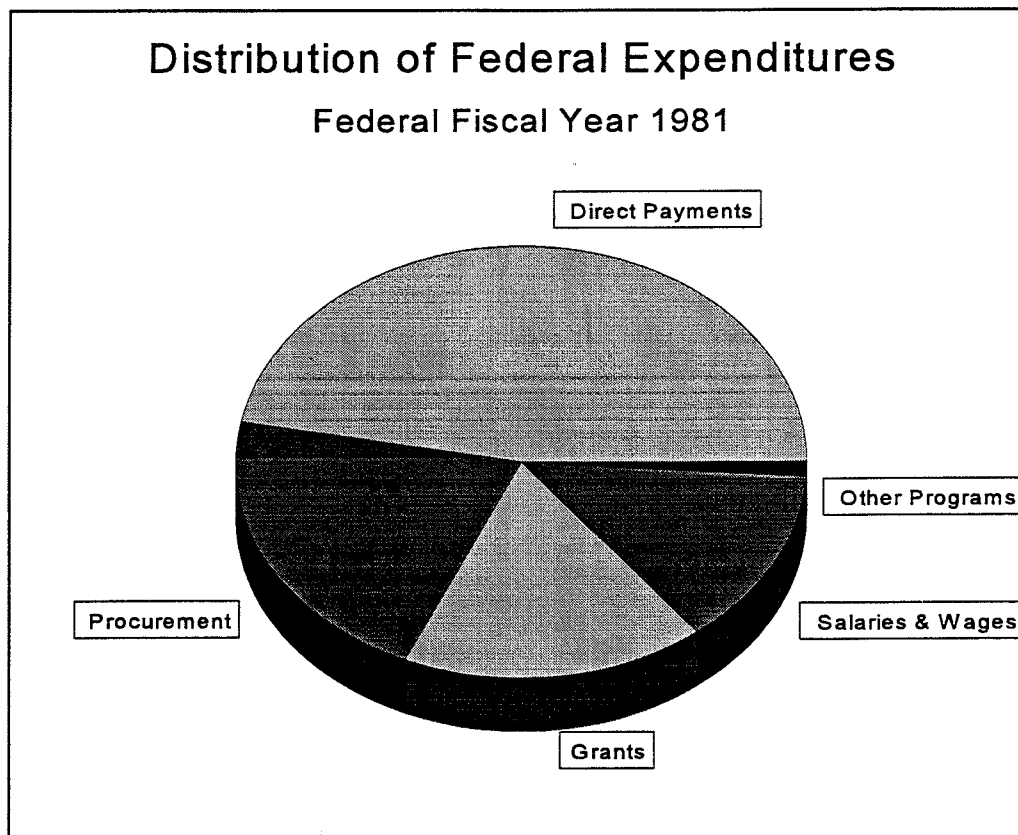
Note: The total above does not include undistributed funds totaling approximately \$11.2 billion.

Source: U.S. Bureau of the Census. *Federal Expenditures by State for Fiscal Year 1981*. U.S. Government Printing Office, Washington, DC, 1983.

In 1981, Florida ranked 7th among states, in terms of estimated statewide population. The states of California, New York, Texas, Pennsylvania, Illinois, and Ohio had larger populations, respectively. However, in terms of total federal expenditures, Florida ranked 5th. Only California, New York, Texas, and Pennsylvania ranked higher, respectively. Certainly, Florida's disproportionately higher

ranking in direct payments to individuals (1st among states in 1981) helps explain Florida's 5th place per capita ranking in total federal expenditures.

Chart 1



## 2. Federal Expenditures in 1988

In 1988, federal expenditures to states and U.S. outlying areas totaled approximately \$857 billion as illustrated in *Table 2*. As in 1981, direct payments to individuals constituted nearly half of total expenditures (see *Chart 2*). As a percentage of total federal expenditures, the categories of salaries and wages and other programs increased between 1981 and 1988. However, the categories of procurement contracts and grants to state and local governments were proportionately less in 1988.

Florida ranked 4th among states, in terms of estimated statewide population, in 1988. Only, the states of California, New York, and Texas had larger populations, respectively. On a per capita basis, Florida ranked 4th in total federal expenditures to state and local governments.

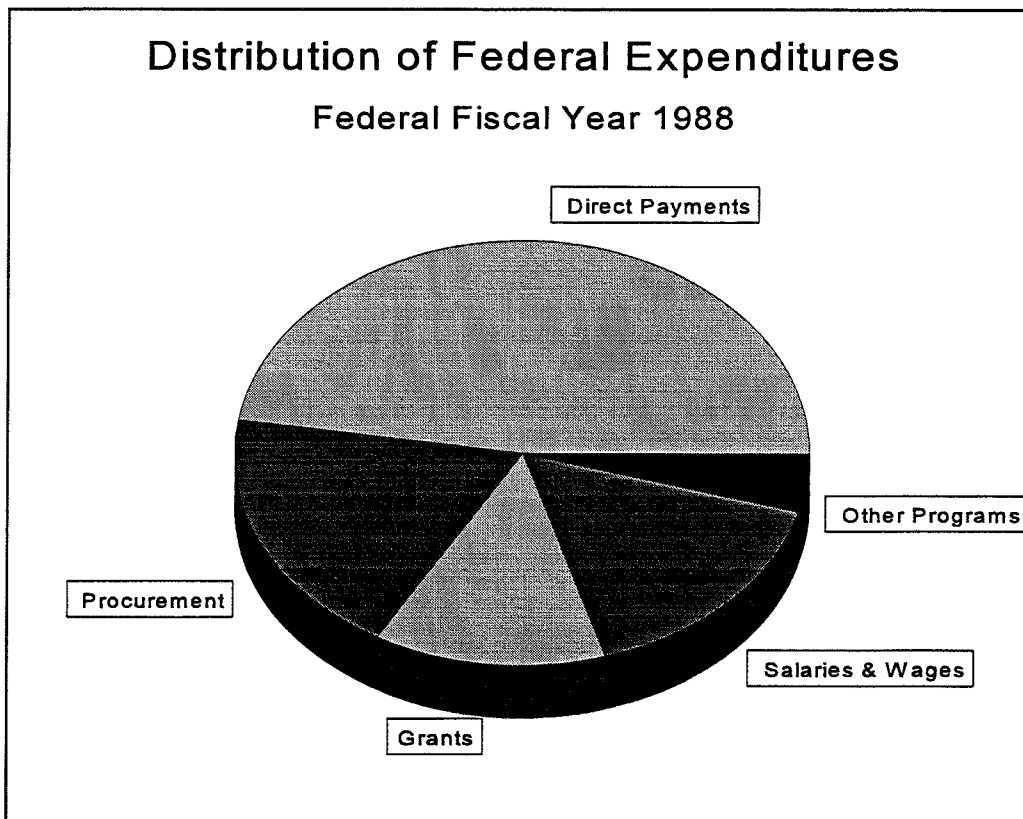
**Table 2**  
**Distribution of Federal Expenditures to States and U.S. Outlying Areas**  
**Federal Fiscal Year 1988**

<u>Expenditure Category</u>	<u>Amount (\$ billion)</u>	<u>% of Total</u>
Direct Payments to Individuals	\$407.5	47.6
Procurement Contracts	165.2	19.3
Salaries and Wages	134.2	15.7
Grants to State and Local Governments	112.6	13.1
Other Programs	37.3	4.4
<b>Total</b>	<b>\$856.8</b>	<b>100.0</b>

Note: The total above does not include undistributed funds totaling approximately \$27.4 billion.

Source: U.S. Bureau of the Census. *Federal Expenditures by State for Fiscal Year 1988*. U.S. Government Printing Office, Washington, DC, 1989.

**Chart 2**



### 3. Federal Expenditures in 1996

Federal expenditures to states and U.S. outlying areas totaled approximately \$1.4 trillion in 1996 as illustrated in *Table 3*. Direct payments to individuals constituted nearly 55 percent of total expenditures. The category of grants to state and local governments also represented a larger proportion of total expenditures in 1996. The categories of procurement contracts, salaries and wages, and other programs were proportionately less that year (see *Chart 3*).

Florida ranked 4th among states, in terms of estimated statewide population, in 1996. Only, the states of California, Texas, and New York had larger populations, respectively. In terms of total expenditures, Florida ranked 4th as well. As with population, only the states of California, New York, and Texas ranked higher, respectively.

<u>Expenditure Category</u>	<u>Amount (\$ billion)</u>	<u>% of Total</u>
Direct Payments to Individuals	\$749.0	54.7
Grants to State and Local Governments	224.5	16.4
Procurement Contracts	181.5	13.2
Salaries and Wages	168.4	12.3
Other Programs	47.0	3.4
<b>Total</b>	<b>\$1,370.4</b>	<b>100.0</b>

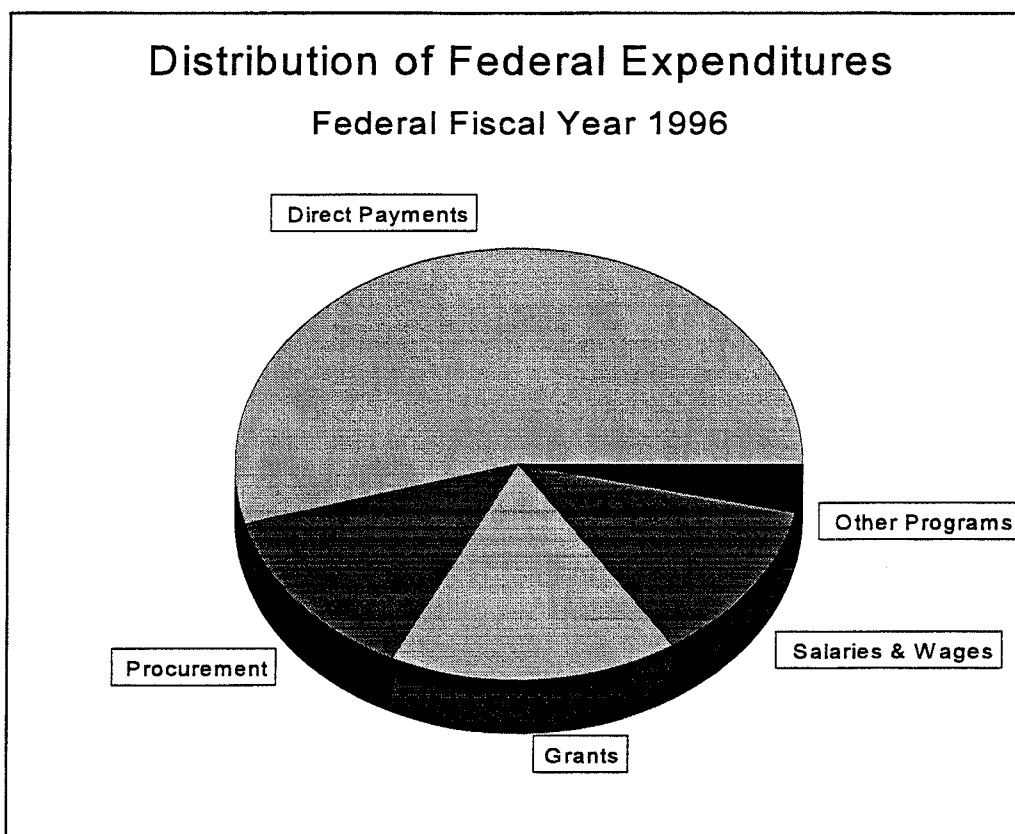
Note: The total above does not include undistributed funds totaling approximately \$23.7 billion.

Source: U.S. Bureau of the Census. *Federal Expenditures by State for Fiscal Year 1996*. U.S. Government Printing Office, Washington, DC, 1997.

### 4. Changing Impacts of Federal Expenditures

Dramatic changes have occurred in the allocation of federal expenditures and how such allocations affect states. An increasing share of federal outlays are allocated to uses, such as direct payments to individuals and grants to state and local governments, where federal officials may not control how the monies are ultimately spent. Correspondingly, there was been a decline in direct federal operations, particularly in the Defense Department, but also in many civilian agencies. This decline is reflected in the decreasing share of federal outlays allocated toward procurement contracts and salaries and wages.

Chart 3



An examination of federal expenditures to states and U.S. outlying areas in fiscal year 1981 (see *Table 1*), shows that approximately 35 percent of total expenditures went to federal operations (defined as salaries and wages and procurement contracts). By fiscal year 1996, outlays for federal operations decreased to about 26 percent (see *Table 3*). Federal expenditures directed to individuals, as a percentage of total outlays, increased from approximately 47 percent to 55 percent between fiscal years 1981 and 1996. The percentage of total expenditures sent to state and local governments, via federal grants, decreased slightly. These changes would seem to suggest that the importance of federal outlays for salaries and wages and procurement contracts will continue to decrease relative to grants and direct payments to individuals.

#### **D. Per Capita Federal Expenditures by Category of Expenditure**

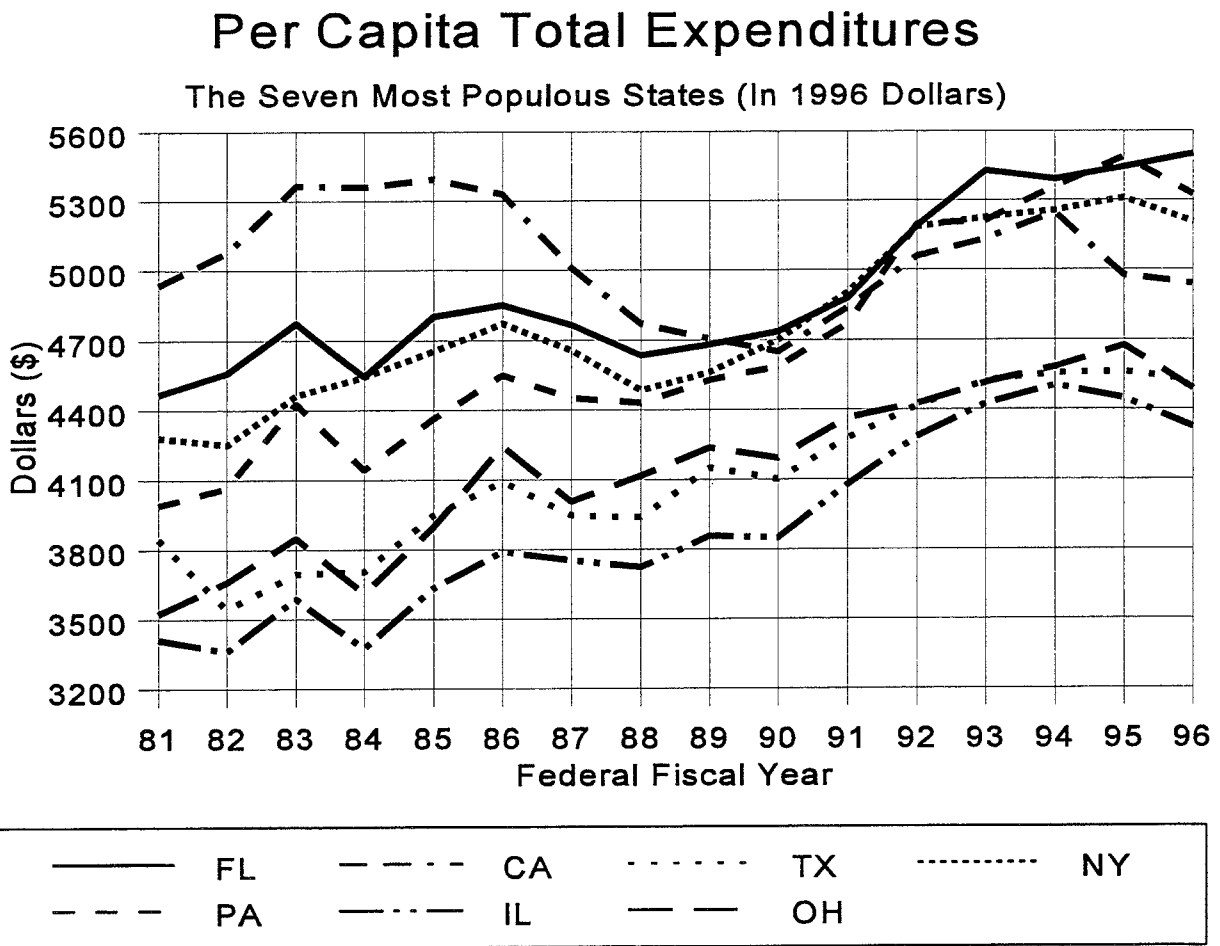
This section of the report examines the historical trend in per capita total expenditures and per capita expenditures for the four major expenditure categories: direct payments to individuals, grants to state and local governments, procurement contracts, and salaries and wages for fiscal years 1981 through 1996. In addition to controlling for population change through the use of a 'per capita' measure, the yearly figures have also been adjusted to control for inflation. All per capita figures for fiscal years

1981 through 1995 have been converted to 1996 dollars.<sup>5</sup> For each expenditure category, the per capita figures for each of the seven most populous states in 1996 (California, Texas, New York, Florida, Pennsylvania, Illinois, and Ohio) are illustrated.

1. *Per Capita Total Expenditures*

As illustrated in *Chart 4*, a general pattern of increasing per capita total expenditures existed for the selected states, except California, during fiscal years 1981 through 1996. During the early 1980s, California's per capita amount exceeded that of Florida. However, by the late 1980s, Florida was gaining ground and by the early 1990s, Florida's per capita expenditure that of California. Since 1995, the per capita expenditures for the select states, except Florida, show a downward trend.

Chart 4



<sup>5</sup> Per capita expenditures for 1981 through 1995 were adjusted to 1996 dollars using the Consumer Price Index data published by the U.S. Bureau of Labor Statistics (CPI: All Urban Consumers; U.S. City Average; All Items; 1982-84=100).



Florida ranked 13th, on a per capita basis, among all states in total federal expenditures in both 1981 and 1996. Eight of the twelve states having a higher per capita ranking than Florida in 1981 also had a higher per capita ranking in 1996. Of the seven most populous states, Florida had the second highest per capita ranking, behind the state of California, in 1981. In 1996, Florida had the highest per capita ranking of those seven states.

As previously mentioned, federal outlays directed to individuals, as a percentage of total federal expenditures, increased nearly 10 percentage points between 1981 and 1996. Florida's higher per capita figure, relative to most other states, can be explained, in large part, by the state's proportionate share of federal direct payments to individuals. In 1981, 1988, and 1996, Florida ranked first, on a per capita basis, among all states in direct payments to individuals.

Overall, federal expenditures have tended to respond to differences among states in the rate of population change. Many federal programs are entitlements for individuals, so the funding goes where the people entitled to those entitlement payments reside. Many grant formulas allocate federal funding based on total population or some component of population. Besides population, growth in federal expenditures also relates to the types of activities that the federal government has been expanding or contracting.

## *2. Per Capita Direct Payments to Individuals*

As mentioned previously, direct payments to individuals constituted the largest category of federal expenditure in fiscal year 1981, 1988, and 1996. An increasing share of federal outlays have been allocated to this expenditure category.

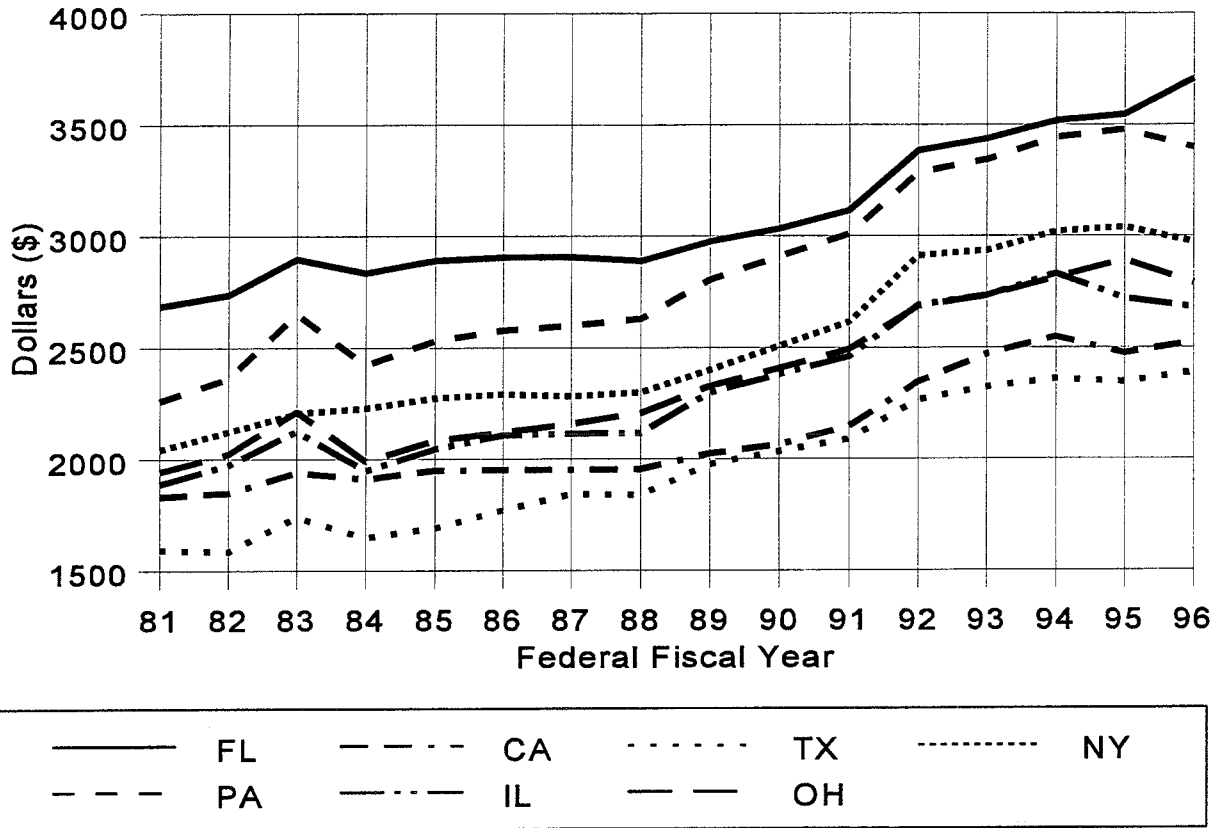
Florida's share of federal direct payments to individuals is illustrated by *Chart 5*. Although Florida was the fourth most populous state during most of the 1981 through 1996 period, the state received the highest per capita federal expenditure of the seven most populous states during that time. In fact, Florida's per capita figure consistently exceeded the national average by approximately \$700 to \$800 during this period. The explanation appears to be due to the receipt of Social Security and Medicare benefits by the state's relatively large elderly population.

Social Security and Medicare payments constituted approximately 76 percent of direct payments to individuals in 1996. The key to any state having a high per capita ranking in this expenditure category is to have a large percentage of the state population that is over age 65 and has had a long history of employment at wage levels substantial enough to earn large Social Security payments. Florida has achieved such a high per capita figure due primarily to the in-migration of retired persons eligible to receive such payments. Conversely, Pennsylvania has achieved its high per capita figure primarily due to the out-migration of younger persons not yet eligible to receive payments.

Chart 5

## Per Capita Direct Payments to Individuals

The Seven Most Populous States (In 1996 Dollars)



### 3. Per Capita Grants to State and Local Governments

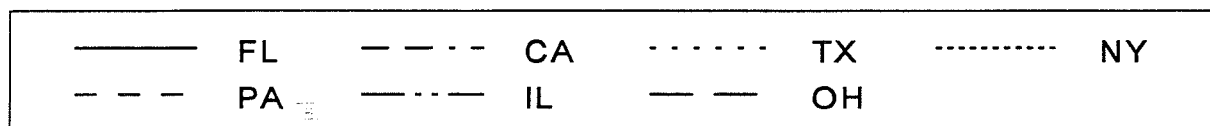
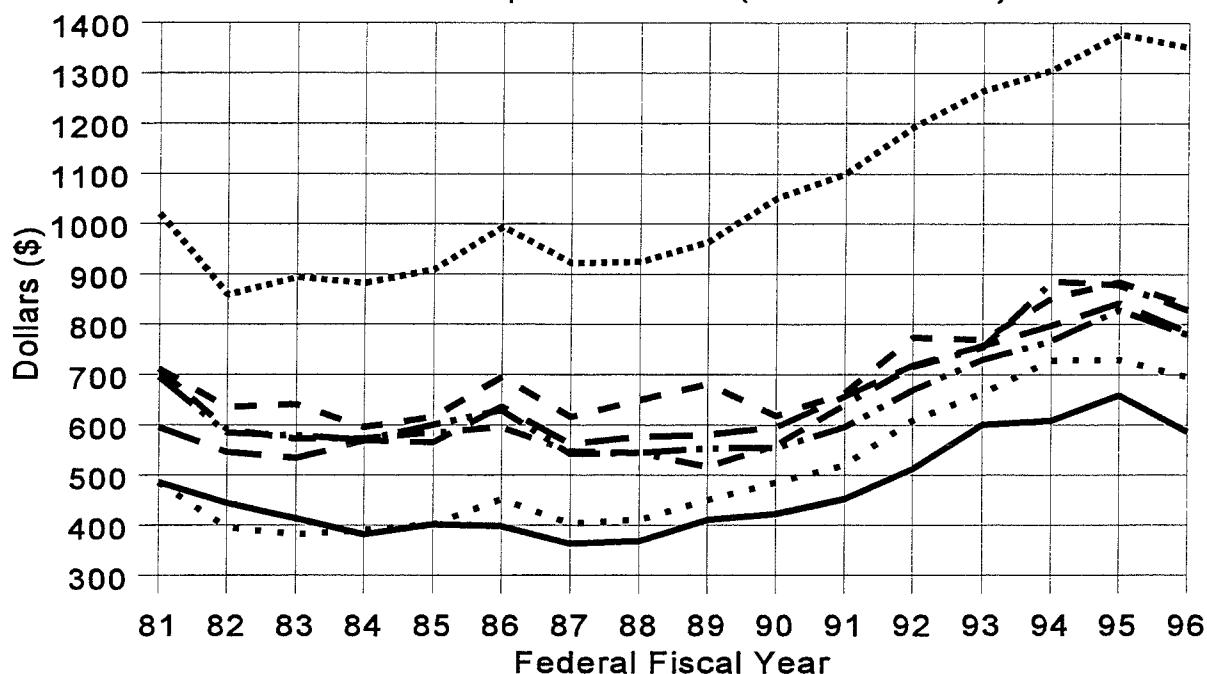
Federal support of state and local governments through grant programs shows considerable variation as illustrated for the seven most populous states by *Chart 6*. Although all seven states show the same general pattern during fiscal years 1981 through 1996, there are some significant differences. Interestingly, New York had the highest per capita expenditure in all years, and these figures were significantly higher than those of the remaining six states. On the other hand, Florida had the lowest per capita figure in nearly every year.

Florida ranked 49th and 48th, on a per capita basis, among all states in federal grant expenditures in 1981 and 1996, respectively. Of the seven most populous states, Florida had the second lowest per capita ranking, behind Texas, in 1981. In 1996, Florida had the lowest per capita ranking of those seven states.

Chart 6

## Per Capita Grants to State and Local Gov'ts

The Seven Most Populous States (In 1996 Dollars)



As previously mentioned, grants awarded by the U.S. Department of Health and Human Services constituted approximately 56 percent of total federal grant funding in fiscal year 1996. Nearly three-quarters of that amount consisted of Medicaid funding. Total Medicaid spending varies substantially among states because of many interactive factors such as the proportion of state population in poverty, the ease of becoming a beneficiary as determined by state eligibility standards, the types of health care services provided, the cost of each service as determined by state decisions on provider reimbursement rates, and the use of services as determined by both state policy and patterns of provider practices.

Besides Medicaid and cash assistance, federal grants to state and local governments cover a wide variety of functions such as support of the arts, environmental protection, education, and highway construction. While each grant program has its own distribution formulas, there are some patterns which help explain why certain states receive more in federal grants. In general, states with small populations have an advantage in per capita funding as the result of minimum amounts per state built

into many formulas. In addition, states' allocations may be substantially higher due to the presence of federal lands and the shared revenues received from the uses of such lands for mining or grazing. Allocations may also be higher as the result of concentrations of certain populations such as disadvantaged children or Native Americans.

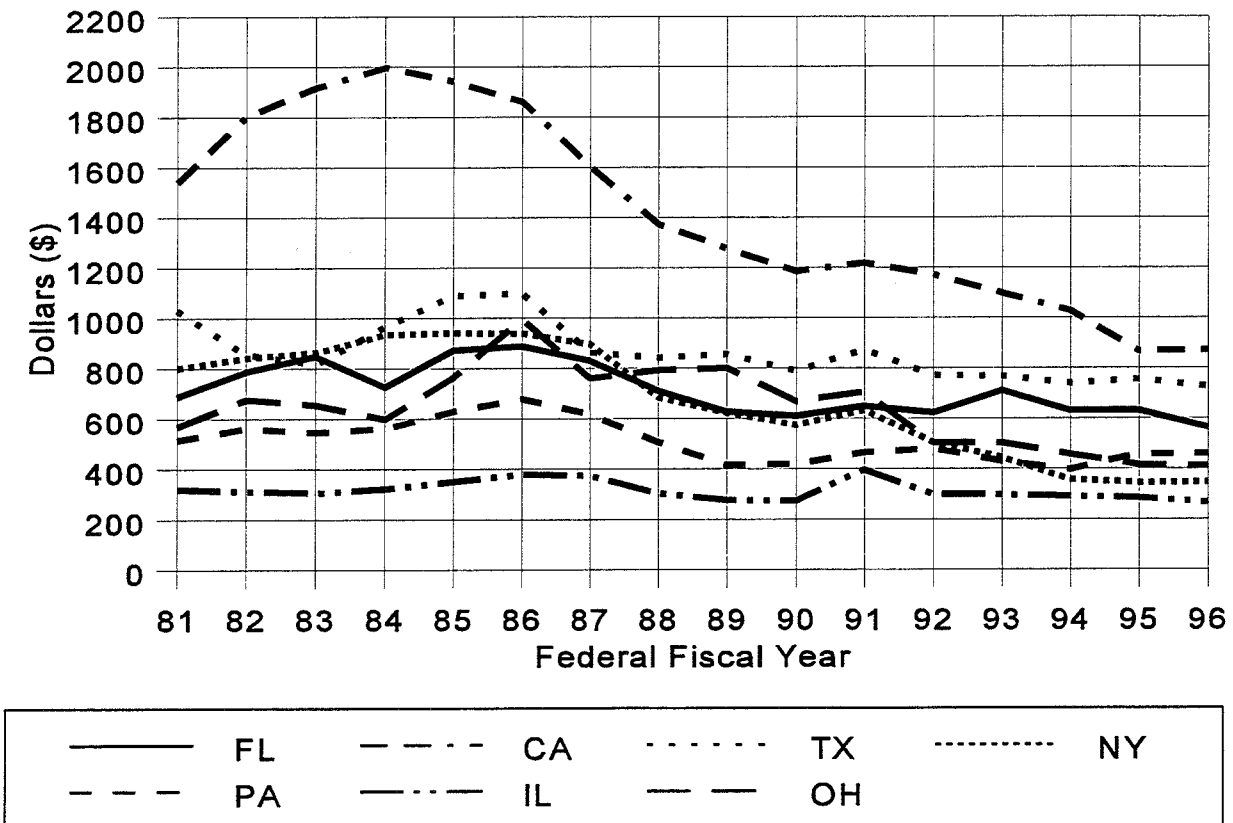
#### 4. Per Capita Procurement Contracts

An increasing share of federal outlays is going to uses where federal officials have little or no control of how the monies are ultimately spent. As a result, there has been a corresponding decline in direct federal operations, particularly in the U.S. Department of Defense, but also in many civilian agencies. In fact, per capita procurement expenditures for most states, including Florida, have remained relatively constant or declined slightly since 1981, as illustrated in *Chart 7*. The per capita figures for California and New York have exhibited the most dramatic declines. In 1996, Florida ranked 24th, on a per capita basis, among all states in federal procurement expenditures.

Chart 7

### Per Capita Procurement Contracts

The Seven Most Populous States (In 1996 Dollars)



In the area of procurement, the major winners continue to be those states having: 1) concentrations of contractors serving federal military and civilian agencies, 2) large atomic energy-related facilities, 3) aircraft contractors, or 4) a large military presence relative to its population. The area that would seem to hold the most promise for Florida would be for the state to continue attracting those contractors serving military and civilian agencies.

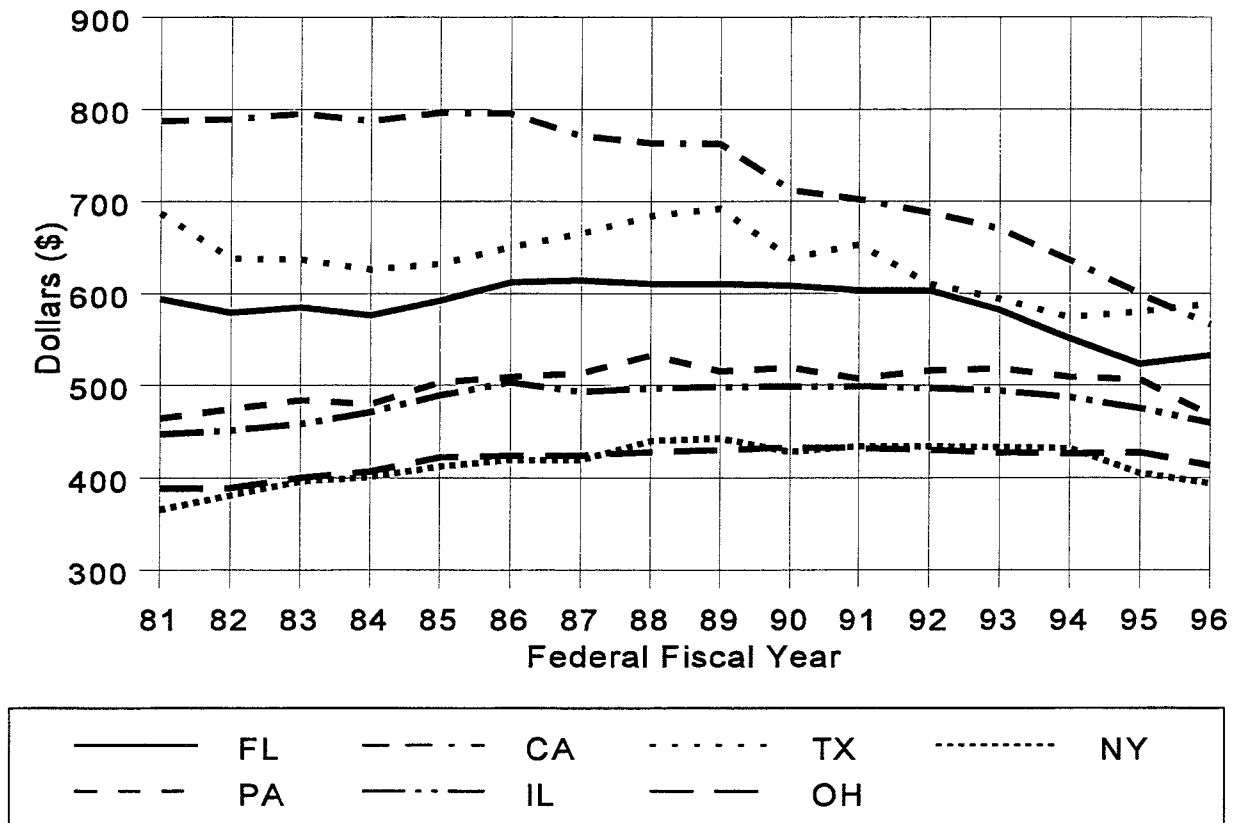
5. *Per Capita Salaries and Wages*

Most federal workers are found on large federal installations, such as military bases, or concentrated in and around the District of Columbia. However, some federal activities such as the U.S. Postal Service are distributed among the states roughly in proportion to population. Florida ranked 30th, on a per capita basis, among all states in federal salary and wage expenditures in 1996. Of the seven most populous states that year, Florida had the third highest per capita ranking behind the states of Texas and California, as illustrated in *Chart 8*.

Chart 8

## Per Capita Salaries and Wages

The Seven Most Populous States (In 1996 Dollars)



## II. PER CAPITA GRANT EXPENDITURES TO FLORIDA COMPARED WITH OTHER STATES

### A. Introduction

In fiscal year 1996, federal expenditures for all states and the District of Columbia were approximately \$5,121 per capita. With a difference of nearly \$3,700 per capita between the state having the highest level of federal expenditure (Virginia: \$7,535) and the state having the lowest level of federal expenditure (Wisconsin: \$3,868), elected state and local officials have considerable interest in influencing where federal expenditures are made.

This fact is particularly true for federal grants to state and local governments, where the 1996 per capita expenditure to the most favored state (Alaska: \$1,731) was nearly three and one-half times the per capita expenditure for the least favored state (Virginia: \$510). Had Florida, which ranked 48th among all states in 1996 per capita grant expenditures with \$586, received the same per capita amount as the national average, the state would have received an additional \$3.4 billion. To put such an increase into a state perspective, this amount would represent approximately 7.5 percent of the \$45.1 billion budget proposed by the Chiles Administration for the 1998-99 fiscal year, according to LCIR staff calculations.<sup>6</sup>

Federal support of state and local budgets through grant programs shows considerable variation. Some grant funding to select states results from the presence of certain populations or characteristics. For example, large Native American populations trigger additional grants from the U.S. Department of Education for Indian education and from the U.S. Department of the Interior for Indian programs. Special arrangements to share revenue from timber and mineral sales, via the U.S. Department of the Interior's Bureau of Land Management, are important to many western states with large federal land holdings. Another example is the assistance provided to refugees via grant funding provided by the U.S. Department of Health and Human Services (HHS).

The Department of Health and Human Services' grants accounted for 56 percent of all grants to states and the District of Columbia in 1996. States of various population sizes receive the largest per capita grant expenditures. Those states benefit from having certain characteristics such as significant amounts of federal lands or large elderly populations.

A number of interactive factors explain the variations in HHS grant funding, particularly in the areas of Medicaid and Aid to Families with Dependent Children (AFDC, which now has become Temporary Assistance for Needy Families or TANF). These factors include the proportion of the state's population in poverty, the ease of becoming a beneficiary as determined by state eligibility standards, the optional benefits as determined by state decisions, and the percentage of total costs paid by the federal government.

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<sup>6</sup> Executive Office of the Governor. *Governor's Budget 1998-99*. State of Florida, Tallahassee, FL, 1998.

## **B. Per Capita Grant Expenditures to Florida by Federal Department and Agency**

As previously stated, Florida ranked 48th among all states in the receipt of federal grants during fiscal year 1996. The state's per capita grant funding of \$586 was approximately 70 percent of the average of all other states. Among the seven most populous states, Florida had the lowest per capita ranking. *Table 4*, on the following page, illustrates how Florida ranked, relative to all other states that year, in per capita grant funding by federal department and agency.

Florida's state and local governments received approximately \$8.4 billion in grants and other payments during fiscal year 1996. Interestingly, the grants received from six departments (Health and Human Services, Transportation, Housing and Urban Development, Agriculture, Education, and Labor) accounted for approximately 95 percent of all grant expenditures to Florida that year. In fact, the ten largest grant programs accounted for nearly 89 percent of all grants expenditures to the state in 1996 (see *Table 5*).

With the exception of U.S. Department of Agriculture grants, Florida had a 'departmental' per capita ranking that did not exceed 40th among all states and 7th among the seven most populous states. Florida's per capita ranking in six of the ten largest grant categories also did not exceed 40th place. In an effort to understand the state's standing in per capita grant funding relative to other states, the remainder of this report focuses on the programs administered by those six departments.

### *1. Grants Administered by the U.S. Department of Health and Human Services*

In Florida, HHS grants accounted for 56 percent of all grant funding received in fiscal year 1996 and provided the state with approximately \$4.8 billion or \$330.93 per capita. As illustrated in *Table 6*, grant programs administered by the Health Care Financing Administration (Medicaid) and the Administration for Children and Families (a number of grant programs, the largest of which is AFDC, now TANF), constituted 96 percent of all HHS grants. Additionally, these two programs accounted for 54 percent of all grant expenditures received by the state that year.

Medicaid was the single largest grant program for Florida in 1996 with a total expenditure of \$3.4 billion or \$234.87 per capita. This program constituted 40 percent of all grant funding and 71 percent of all HHS funding received by the state that year. On a per capita basis, Florida ranked 45th among the states and 7th among the seven most populous states in Medicaid funding. According to a LCIR report, two factors explain why Florida is receiving less Medicaid monies than it deserves when comparing the fairness of the federal share made to other states on the basis of need.<sup>7</sup>

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<sup>7</sup> Legislative Committee on Intergovernmental Relations. *Federal Medicaid Funding: Report-in-Brief*. Florida Legislative, Tallahassee, FL, May 1997.

**Table 4**  
**1996 Federal Expenditures to Florida State and Local Governments**  
**Grants and Other Payments Received by Federal Department or Agency**

<u>Federal Department or Agency</u>	<u>Total Expenditure</u>	<u>Per Capita Expenditure</u>	<u>Per Capita Ranking:</u>	
			<u>All States</u>	<u>7 Most Populous States</u>
Dept. of Health and Human Services	\$ 4,765,354,000	\$ 330.93	45th	7th
Dept. of Transportation	835,953,000	58.05	49th	7th
Dept. of Housing and Urban Development	748,903,000	52.01	50th	7th
Dept. of Agriculture	727,798,000	50.54	35th	4th
Dept. of Education	670,655,000	46.57	40th	7th
Dept. of Labor	288,756,000	20.05	40th	7th
Federal Emergency Management Agency	137,820,000	9.57	11th	2nd
Dept. of Justice	117,971,000	8.19	12th	2nd
Environmental Protection Agency	77,613,000	5.39	49th	7th
Dept. of Commerce	38,660,000	2.68	26th	2nd
Dept. of Interior	14,313,000	0.99	47th	6th
Dept. of the Treasury	6,361,000	0.44	2nd	2nd
Corporation for Public Broadcasting	2,726,000	0.19	44th	6th
Dept. of Defense	2,041,000	0.14	44th	6th
Dept. of Energy	1,986,000	0.14	50th	7th
Dept. of Veterans Affairs	1,711,000	0.12	45th	6th
Equal Employment Opportunity Commission	951,000	0.07	33rd	5th
Social Security Administration: Supplemental Security Income	915,000	0.06	39th	6th
National Endowment for the Arts	897,000	0.06	45th	3rd
Neighborhood Reinvestment Corp. Grants	624,000	0.04	25th	4th
Institute of Museum Services	275,000	0.02	36th	4th
State Justice Institute Grants	134,000	0.01	26th	3rd
<b>Total Grants and Other Payments</b>	<b>\$ 8,441,502,000</b>	<b>\$ 586.22</b>	<b>48th</b>	<b>7th</b>



**Table 5**  
**1996 Federal Expenditures to Florida State and Local Governments**  
**Ten Largest Grant Programs, in Terms of Total Expenditure, to the State**

<u>Federal Department/Grant Program</u>	<u>Total Expenditure</u>	<u>Per Capita Expenditure</u>	<u>Per Capita Ranking:</u>	
			<u>All States</u>	<u>7 Most Populous States</u>
Department of Health and Human Services Health Care Financing Administration: Medical Assistance (Medicaid)	\$ 3,382,113,000	\$ 234.87	45th	7th
Department of Health and Human Services Administration for Children and Families	1,206,924,000	83.81	40th	6th
Department of Agriculture Food and Consumer Services	687,831,000	47.77	28th	4th
Department of Transportation Federal Highway Administration	614,447,000	42.67	49th	7th
Dept. of Housing and Urban Development Lower Income Housing Assistance	362,537,000	25.18	49th	7th
Dept. of Education Office of Elementary and Secondary Education	353,707,000	24.56	39th	7th
Dept. of Labor Employment and Training Administration	287,569,000	19.97	40th	7th
Dept. of Education Office of Special Education and Rehabilitative Services	253,565,000	17.61	41st	4th
Dept. of Housing and Urban Development Community Development	193,063,000	13.41	31st	7th
Dept. of Transportation Federal Transit Administration	139,880,000	9.71	17th	6th
<b>Total of the 10 Largest Grants to Florida</b>	<b>\$ 7,481,636,000</b>	<b>\$ 519.56</b>	<b>48th</b>	<b>7th</b>
<b>Total of All Grants to Florida</b>	<b>\$ 8,441,502,000</b>	<b>\$ 586.22</b>	<b>48th</b>	<b>7th</b>
<b>10 Largest Grants to Florida as % of Total Grant Funding to Florida</b>	<b>88.6</b>			

**Table 6**  
**1996 Federal Expenditures to Florida State and Local Governments**  
**Grant Programs Administered by the U.S. Department of Health and Human Services (HHS)**  
**(Major Categories Are Listed in Bold Type; Subcategories Are Listed in Regular Type)**

<b>Grant Program</b>	<b>Total Expenditure</b>	<b>Per Capita Expenditure</b>	<b>% of Florida's Total HHS Grants</b>	<b>Per Capita Ranking:</b>	
				<b>All States</b>	<b>7 Most Populous States</b>
<b>Health Care Financing Administration: Medicaid</b>	<b>\$ 3,382,113,000</b>	<b>\$ 234.87</b>	<b>71.0</b>	<b>45th</b>	<b>7th</b>
<b>Administration for Children and Families</b>	<b>1,206,924,000</b>	<b>83.81</b>	<b>25.3</b>	<b>40th</b>	<b>6th</b>
Aid to Families with Dependent Children	574,545,000	39.90	12.1	36th	6th
Children and Family Services	271,693,000	18.87	5.7	40th	5th
Social Services Block Grant	143,360,000	9.96	3.0	14th	3rd
Foster Care and Adoption Assistance	106,215,000	7.38	2.2	34th	6th
Refugee Assistance	68,445,000	4.75	1.4	1st	1st
Job Opportunities and Basic Skills	16,597,000	1.15	0.3	49th	7th
Low Income Home Energy Assistance	15,395,000	1.07	0.3	48th	7th
Community Services Block Grant	9,564,000	0.66	0.2	28th	3rd
Other	1,110,000	0.08	< 0.1	48th	7th
<b>Public Health Service</b>	<b>114,775,000</b>	<b>7.97</b>	<b>2.4</b>	<b>30th</b>	<b>3rd</b>
Health Resources and Services Administration	86,264,000	5.99	1.8	24th	2nd
Centers for Disease Control	28,511,000	1.98	0.6	37th	4th
<b>Substance Abuse and Mental Health Administration</b>	<b>61,542,000</b>	<b>4.27</b>	<b>1.3</b>	<b>46th</b>	<b>7th</b>
<b>Total of HHS Grants to Florida</b>	<b>\$ 4,765,354,000</b>	<b>\$ 330.93</b>	<b>100.0</b>	<b>45th</b>	<b>7th</b>

The first factor relates to the inability of the original Medicaid formula, first enacted by Congress in 1965, to accurately measure the medically indigent population, the costs of providing services, and the ability of state and local taxpayers to support the non-federal share of the program. Two population groups, Florida's large population of wealthy individuals who were not subject to state personal income taxes and the state's large medically indigent population, were not reflected in the three-year averages of state and national per capita incomes that were central to the original Medicaid formula.

The second factor relates to Florida's historically conservative approach to utilizing Medicaid options regarding eligibility, services, and administration. Until recent years, this conservative approach to utilizing Medicaid Disproportionate Share Hospital payments in the late 1980s and early 1990s amplified the inequities in Medicaid funding.

Grants funded through the Administration for Children and Families (ACF) constituted the second largest grant program for Florida in fiscal year 1996 with a total expenditure of \$1.2 billion or \$83.81 per capita. This budget category represented approximately 25 percent of all HHS grant expenditures to the state. Florida ranked 40th, on a per capita basis, among the states and 6th among the seven most populous states in ACF funding.

The five largest budget categories within ACF constituted nearly 97 percent of total ACF expenditures. Aid to Families with Dependent Children (AFDC, now TANF) was the largest category of the ACF grants, with a total expenditure of \$575 million or \$39.90 per capita in fiscal year 1996. This program accounted for approximately 48 percent of all ACF grant funding to the state. In per capita terms, Florida ranked 36th among the states and 6th among the seven most populous states in AFDC funding. This relatively low per capita ranking is due to Florida's historical tendency to adopt strict eligibility requirements and minimal benefit options.

The children and family services program was the second largest budget category of the ACF grants to Florida. In 1996, the state received approximately \$272 million or \$18.87 per capita from this source which accounted for nearly 23 percent of all ACF funding. In per capita terms, Florida ranked 40th among the states and 5th among the seven most populous states in program funding. The exact reasons for this low ranking are unclear due to the number and diversity of grants included in this budget category. A more detailed analysis of the individual grant programs would be required to determine possible reasons for the state's low per capita ranking.

In per capita terms, Florida ranked 14th among all states and 3rd among the seven most populous states in social services block grants received in 1996. This budget category accounted for nearly 12 percent of all ACF grant funding with the state receiving approximately \$143 million or \$9.96 per capita in fiscal year 1996. This funding source, authorized through Title XX of the Social Security Act, as amended, is a capped program with state allocations determined by population.

The fourth largest ACF budget category for Florida in 1996 was foster care and adoption assistance. The state received about \$106 million or \$7.38 per capita that year, and the program accounted for almost 9 percent of all ACF funding. On a per capita basis, Florida ranked 34th among all states and 6th among the seven most populous states. This grant program is an open-ended funding source requiring a state match at the Medical Assistance Percentage (Medicaid) rate. According to state officials, Florida's current policy with regard to this funding source is to increase the 'draw-down' of these funds.

Refugee assistance accounted for nearly 6 percent of ACF funding to Florida in 1996. The state received approximately \$68 million or \$4.75 per capita in assistance that year. Interestingly, the state ranked 1st among all states in per capita refugee assistance funding. Florida ranking, relative to other states, is due in large part to the state's proximity to the Caribbean and influxes of Cuban and Haitian refugees in recent years.

The four remaining ACF budget categories: Job Opportunities and Basic Skills, Low Income Home Energy Assistance, Community Service Block Grants, and Other constituted about 4 percent of total ACF funding to Florida in fiscal year 1996. The state received approximately \$43 million or \$2.96 per capita for these sources.

The third largest budget category of HHS grants are those administered by the Public Health Service (PHS). In Florida, PHS programs, specifically Health Resources and Services Administration and Centers for Disease Control, accounted for approximately 3 percent of all grants administered by the department in fiscal year 1996. PHS grants provided the state with approximately \$115 million or \$7.97 per capita that year. In per capita terms, Florida ranked 30th among all states and 3rd among the seven most populous states.

Substance Abuse and Mental Health Administration grants accounted for almost 2 percent of all HHS grants in fiscal year 1996. This grant source provided the state with nearly \$62 million or \$4.27 per capita that year. Florida ranked 46th, on a per capita basis, among all states and 7th among the seven most populous states in the receipt of these grants.

## *2. Grants Administered by the U.S. Department of Transportation*

Those grants administered by the U.S. Department of Transportation (DOT) represented the second largest departmental source of grant funding for Florida in fiscal year 1996. Collectively, these grant expenditures totaled \$836 million or \$58.05 per capita and accounted for approximately 10 percent of all grant funding received that year. In per capita terms, Florida ranked 49th among the states and 7th among the seven most populous states in total DOT grant funding. The federal budget categories and the respective expenditures to Florida in 1996 are summarized in *Table 7*.

**Table 7**  
**1996 Federal Expenditures to Florida State and Local Governments**  
**Grant Programs Administered by the U.S. Department of Transportation (DOT)**  
**(Major Categories Are Listed in Bold Type; Subcategories Are Listed in Regular Type)**

<u>Grant Program</u>	<u>Total Expenditure</u>	<u>Per Capita Expenditure</u>	<u>% of Florida's Total DOT Grants</u>	<u>Per Capita Ranking:</u>	
				<u>All States</u>	<u>7 Most Populous States</u>
<b>Federal Highway Administration</b>	<b>\$ 614,447,000</b>	<b>\$ 42.67</b>	<b>73.5</b>	<b>49th</b>	<b>7th</b>
Highway Trust Fund	610,261,000	42.38	73.0	49th	7th
Other Demonstration Projects	1,708,000	0.12	0.2	* 37th	* 6th
Motor Carrier Safety Grants	1,470,000	0.10	0.2	48th	7th
Highway-Related Safety Grants	544,000	0.04	0.1	39th	6th
Other	464,000	0.03	0.1	** 15th	** 3rd
Interstate Transfer Grants	n/a	n/a	n/a	n/a	n/a
<b>Federal Transit Administration</b>	<b>139,880,000</b>	<b>9.71</b>	<b>16.7</b>	<b>17th</b>	<b>6th</b>
<b>Federal Aviation Administration: Airport and Airway Trust Fund</b>	<b>71,861,000</b>	<b>4.99</b>	<b>8.6</b>	<b>32nd</b>	<b>3rd</b>
<b>National Highway Traffic Safety Administration</b>	<b>5,561,000</b>	<b>0.39</b>	<b>0.7</b>	<b>46th</b>	<b>6th</b>
<b>Coast Guard: Boating Safety</b>	<b>2,595,000</b>	<b>0.18</b>	<b>0.3</b>	<b>*** 12th</b>	<b>*** 1st</b>
<b>Research and Special Programs Administration</b>	<b>1,416,000</b>	<b>0.10</b>	<b>0.2</b>	<b>**** 28th</b>	<b>**** 6th</b>
<b>Federal Railroad Administration: Rail Services Assistance</b>	<b>193,000</b>	<b>0.01</b>	<b>&lt; 0.1</b>	<b>36th</b>	<b>4th</b>
<b>Total of DOT Grants to Florida</b>	<b>\$ 835,953,000</b>	<b>\$ 58.05</b>	<b>100.0</b>	<b>49th</b>	<b>7th</b>

Table 7 continued

\* Five states did not receive funding in fiscal year 1996. Therefore, Florida ranked 37th among the 45 states and 6th among the seven most populous states that received funding.

\*\* Twenty-eight states did not receive funding in 1996. Florida ranked 15th, on a per capita basis, among the 22 states that received funding. Only four of the seven most populous states received funding that year; Florida ranked 3rd.

\*\*\* Two states did not receive funding in fiscal year 1996. Therefore, Florida ranked 12th among the 48 states and 1st among the seven most populous states that received funding.

\*\*\*\* One state did not receive funding in 1996. Florida ranked 28th, on a per capita basis, among the 49 states and 6th among the seven most populous states that received funding.

\*\*\*\*\* Five states did not receive funding in fiscal year 1996. Therefore, Florida ranked 36th among the 45 states that received funding. Only six of the seven most populous states received funding that year; Florida ranked 6th.

The largest component of these DOT grants are those administered by the Federal Highway Administration (FHA). In Florida, FHA grants accounted for nearly 74 percent of all grants administered by the department. FHA grants provided the state with approximately \$614 million or \$42.67 per capita in fiscal year 1996. Florida ranked 49th, on a per capita basis, among all states and 7th among the seven most populous states that year. A number of grant programs are funded by the FHA. The most significant of the FHA grants, the Highway Trust Fund, accounted for just over 99 percent of all FHA grant expenditures to the state in 1996.

*a. Intermodal Surface Transportation Efficiency Act*

The mechanism by which the FHA grant funding was allocated to all states, prior to October 1, 1997, was the Intermodal Surface Transportation Efficiency Act (ISTEA). The Act, signed into law in December of 1991, expired on September 30, 1997. The 105th Congress was unable to pass a multi-year reauthorization bill prior to ISTEA's expiration; however, legislators did manage to pass a temporary extension which is scheduled to expire on May 1, 1998. As a result, Congress will be exerting a great deal of time and energy during the first few months of 1998 trying to pass a multi-year reauthorization bill since transportation funding is a major source of federal expenditures to states.

Since FHA funding accounted for just over 7 percent of all grant expenditures to the state and represented the fourth largest source of grant funding to Florida in fiscal year 1996, the reauthorization bill that Congress passes, assuming the passage of such a bill, could potentially have a significant fiscal impact on this state. Since many public officials in Florida as well as other interested parties have stated their concerns that the ISTEA did not return sufficient funding to the state or provide the program flexibility needed to address the state's transportation needs, it will be

important for state officials that the reauthorization bill be more favorable to Florida.

According to a 1995 report on highway funding prepared by the U.S. General Accounting Office (GAO), a number of factors explain why Florida was a "donor" state, meaning it paid more in federal fuel taxes than it received back in highway funding, during the ISTEA years.<sup>8</sup> According to the report's principal findings, the underlying data and factors utilized in the complex federal highway funding formula were not meaningful since the funding outcome was largely predetermined. Funding for the four largest ISTEA program, which represented approximately 70 percent of highway funding, essentially corresponded to the percentage of funds that states received from these programs, on average, during a time period prior to the ISTEA. As a result, the majority of the ISTEA programs did not reflect conditions current at that time.

According to staff with the Florida Department of Transportation, a variety of reasons explain why Florida ranked so low with respect to per capita transportation expenditures. One reason relates to the higher funding levels allocated to sparsely populated states, primarily in the West, to build and maintain national highway system roads. In addition, bridge repair and replacement formulas favored high-cost areas such as states in the Northeast. Finally, a discretionary grant 'penalty' under the ISTEA effectively discouraged 'donor states' like Florida from seeking discretionary funding since such funds resulted in a dollar for dollar reduction in other equity funding.

A final factor related to the underlying calculations used for certain programs. Funding for two of the largest ISTEA programs was based, in part, on variables that were largely irrelevant or outdated. Variables that influenced the historical funding targets in the federal-aid highway program were not closely related to the highway system. The funding formulas, and the variables used in these formulas, favored slow-growth states at the expense of rapidly growing states, particularly those states in the South and West. In fact, the data on which these variables were based were already between forty and seventy years old at the time of a 1986 U.S. GAO report, critical of their use, was published.<sup>9</sup>

#### *b. Other Federal Transportation Expenditures*

The second largest budget category of DOT grants are those administered by the Federal Transit Administration (FTA). In Florida, FTA grants accounted for nearly 17 percent of all grants administered by the department in fiscal year 1996. FTA grants provided the state with approximately \$140 million or \$9.71 per capita that year. In per capita terms, Florida ranked 17th among all states and 6th among the seven most populous states in FTA funding.

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<sup>8</sup> U.S. General Accounting Office. *Highway Funding: Alternatives for Distributing Federal Funds*. (GAO/RCED-96-6; released November 1995), Washington, DC, 1996.

<sup>9</sup> U.S. General Accounting Office. *Highway Funding: Federal Distribution Formulas Should Be Changed* (GAO/RCED-86-114, released March 1986), Washington, DC, 1986.

The Federal Aviation Administration's (FAA) Airport and Airway Trust Fund accounted for almost 9 percent of all DOT grants in fiscal year 1996. FAA grant funding provided the state with nearly \$72 million or \$4.99 per capita that year. Florida ranked 32nd, on a per capita basis, among all states and 3rd among the seven most populous states.

The remaining four budget categories: National Highway Traffic Safety Administration, Coast Guard Boating Safety, Research and Special Programs Administration, and Federal Railroad Administration constituted about 2 percent of total DOT funding to Florida in fiscal year 1996. The state received approximately \$10 million or \$0.68 per capita for these sources.

### *3. Grants Administered by the U.S. Department of Housing and Urban Development*

In fiscal year 1996, those grants administered by the U.S. Department of Housing and Urban Development (HUD) represented the third largest departmental source of grant funding for Florida. Collectively, these grant expenditures totaled nearly \$749 million or \$52.01 per capita and accounted for almost 9 percent of all grant funding received that year. In per capita terms, Florida ranked last among all states in total HUD grant funding.

A number of grant programs are funded by the department. The federal budget categories and the respective expenditures for Florida in 1996 are summarized in *Table 8*. The most significant of the HUD grant programs, those associated with the Lower Income Housing Assistance program, accounted for just over 48 percent of all HUD grant expenditures to the state that year. Florida ranked 49th, on a per capita basis, among the states and last among the seven most populous states in the receipt of these program funds.

The Lower Income Housing Assistance program consisted of three component budget categories: Section 8 Housing Payments, Public Housing, and Housing Payments for College Housing. Section 8 Housing Payments accounted for 77 percent of total program funding. In per capita terms, Florida ranked 34th among the states and last among the seven most populous states in the receipt of these housing payments.

The Community Development program represented the second largest source of HUD grant funding to the state in fiscal year 1996. Collectively, these grant expenditures totaled about \$193 million or \$13.41 per capita and accounted for almost 26 percent of all HUD grant funding received that year. In the receipt of these program funds, Florida ranked 31st, on a per capita basis, among the states and 7th among the seven most populous states.

Another budget category, designated as Other, represented the third largest source of HUD grant funding to Florida in 1996. The expenditures for the various grant programs reflected in this category totaled approximately \$111 million or \$7.72 per capita. This category accounted for nearly 15 percent of all departmental grant funding received that year. In per capita terms, Florida ranked 40th among the states and 6th among the seven most populous states in the receipt of these funds.



**Table 8**  
**1996 Federal Expenditures to Florida State and Local Governments**  
**Grant Programs Administered by the U.S. Department of Housing and Urban Development (HUD)**  
**(Major Categories Are Listed in Bold Type; Subcategories Are Listed in Regular Type)**

<b>Grant Program</b>	<b>Total Expenditure</b>	<b>Per Capita Expenditure</b>	<b>% of Florida's Total HUD Grants</b>	<b>Per Capita Ranking:</b>	
				<b>All States</b>	<b>7 Most Populous States</b>
<b>Lower Income Housing Assistance</b>	<b>\$ 362,537,000</b>	<b>\$ 25.18</b>	<b>48.4</b>	<b>49th</b>	<b>7th</b>
Housing Payments - Section 8	279,683,000	19.42	37.3	34th	7th
Public Housing	82,637,000	5.74	11.0	* 45th	* 5th
Housing Payments - College Housing	217,000	0.02	< 0.1	** 40th	** 7th
<b>Community Development</b>	<b>193,063,000</b>	<b>13.41</b>	<b>25.8</b>	<b>31st</b>	<b>7th</b>
<b>Other</b>	<b>111,210,000</b>	<b>7.72</b>	<b>14.9</b>	<b>40th</b>	<b>6th</b>
<b>Low Rent Housing - Operating Assistance</b>	<b>75,427,000</b>	<b>5.24</b>	<b>10.1</b>	<b>*** 32nd</b>	<b>*** 5th</b>
<b>Emergency Shelters and Homeless Assistance</b>	<b>6,605,000</b>	<b>0.46</b>	<b>0.9</b>	<b>48th</b>	<b>7th</b>
<b>Urban Development Action Grants</b>	<b>60,000</b>	<b>&lt; 0.01</b>	<b>&lt; 0.1</b>	<b>**** 16th</b>	<b>**** 4th</b>
<b>Total of HUD Grants to Florida</b>	<b>\$ 748,903,000</b>	<b>\$ 52.01</b>	<b>100.0</b>	<b>50th</b>	<b>7th</b>

\* One state did not receive funding in fiscal year 1996. Therefore, Florida ranked 45th among the 49 states and 5th among the seven most populous states that received funding.

\*\* Five states did not receive funding in 1996. Florida ranked 40th, on a per capita basis, among the 45 states and 7th among the seven most populous states that received funding.

\*\*\* One state did not receive funding in fiscal year 1996. Therefore, Florida ranked 32nd among the 49 states and 5th among the seven most populous states that received funding.

\*\*\*\* Thirty-three states did not receive funding in 1996. Florida ranked 16th, on a per capita basis, among the 17 states that received funding. Only five of the seven most populous states received funding that year; Florida ranked 4th.

The three remaining budget categories: Low Rent Housing - Operating Assistance, Emergency Shelters and Homeless Assistance, and Urban Development Action Grants accounted for the

remaining 11 percent of HUD grant funding to Florida in fiscal year 1996. As illustrated, Florida did not rank particularly high, in per capita terms, in any of these budget categories.

#### *4. Grants Administered by the U.S. Department of Agriculture*

Grant programs administered by the U.S. Department of Agriculture (DOA) represented the fourth largest departmental source of grant funding for Florida in fiscal year 1996. Collectively, these grant expenditures totaled \$728 million or \$50.54 per capita and accounted for nearly 9 percent of all grant funding received that year. In per capita terms, Florida ranked 35th among all states and 4th among the seven most populous states in total DOA grant funding.

The department funded a number of grant programs. The ten budget categories and the respective expenditures for Florida in 1996 are summarized in *Table 9*. The most significant of these budget categories, accounting for nearly 95 percent of all DOA grant expenditures to the state that year, was the Food and Consumer Service (FCS). Collectively, the grant expenditures associated with this budget category totaled \$688 million or \$47.77 per capita. Florida ranked 28th, on a per capita basis, among the states and 4th among the seven most populous states in FCS funding.

The nine other budget categories, which constituted the remaining 5 percent of total DOA grant expenditures in 1996, accounted for expenditures totaling \$40 million. As illustrated, Florida did not rank particularly high, in per capita terms, in any of these budget categories.

#### *5. Grants Administered by the U.S. Department of Education*

Those grant programs administered by the U.S. Department of Education (DOE) represented the fifth largest departmental source of grant funding for Florida in fiscal year 1996. Collectively, these grant expenditures totaled nearly \$671 million or \$46.57 per capita and accounted for almost 8 percent of all grant funding received that year. Florida ranked 40th, on a per capita basis, among all states and 7th among the seven most populous states in total DOE grant funding.

A number of grant programs are funded by the department. The seven federal budget categories and the respective expenditures for Florida in 1996 are summarized in *Table 10*. The most significant of the DOE budget categories, the Office of Elementary and Secondary Education, accounted for nearly 53 percent of all DOE grant expenditures to the state that year. In per capita terms, Florida ranked 39th among the states and last among the seven most populous states.

Those grants funded through the Office of Special Education and Rehabilitative Services represented the second largest source of DOE grant funding to the state in 1996. Collectively, these grant expenditures totaled about \$254 million or \$17.61 per capita and accounted for almost 38 percent of all DOE grant funding received that year. On a per capita basis, Florida ranked 41st among the states and 4th among the seven most populous states.

**Table 9**  
**1996 Federal Expenditures to Florida State and Local Governments**  
**Grant Programs Administered by the U.S. Department of Agriculture (DOA)**  
**(Major Categories Are Listed in Bold Type; Subcategories Are Listed in Regular Type)**

<b>Grant Program</b>	<b>Total Expenditure</b>	<b>Per Capita Expenditure</b>	<b>% of Florida's Total DOA Grants</b>	<b>Per Capita Ranking:</b>	
				<b>All States</b>	<b>7 Most Populous States</b>
<b>Food and Consumer Service</b>	<b>\$ 687,831,000</b>	<b>\$ 47.77</b>	<b>94.5</b>	<b>28th</b>	<b>4th</b>
Child Nutrition Programs	403,295,000	28.01	55.4	27th	4th
Special Supplemental Food Program (WIC)	171,895,000	11.94	23.6	29th	4th
Food Stamp Program	99,347,000	6.90	13.7	19th	6th
Needy Family Program	8,448,000	0.59	1.2	37th	4th
Commodity Assistance Program	4,846,000	0.34	0.7	48th	7th
<b>Extension Service - Extension Activities</b>	<b>11,100,000</b>	<b>0.77</b>	<b>1.5</b>	<b>48th</b>	<b>6th</b>
<b>Agricultural Marketing Service</b>	<b>10,385,000</b>	<b>0.72</b>	<b>1.4</b>	<b>41st</b>	<b>6th</b>
Funds for Strengthening Markets - Section 32	10,385,000	0.72	1.4	40th	6th
Cooperative Projects in Marketing	n/a	n/a	n/a	n/a	n/a
<b>Cooperative State Research Service: Experimental Stations</b>	<b>8,194,000</b>	<b>0.57</b>	<b>1.1</b>	<b>48th</b>	<b>6th</b>
<b>Rural Utilities Service</b>	<b>5,152,000</b>	<b>0.36</b>	<b>0.7</b>	<b>* 47th</b>	<b>* 7th</b>
<b>Forest Service</b>	<b>3,037,000</b>	<b>0.21</b>	<b>0.4</b>	<b>39th</b>	<b>4th</b>
State and Private Forestry	1,527,000	0.11	0.2	41st	4th
National Forest Funds	1,385,000	0.10	0.2	** 32nd	** 4th
National Grasslands Payments to Counties	125,000	0.01	< 0.1	*** 8th	*** 1st

Table 9 continued					
Food Safety and Inspection Service - Meat and Poultry Inspections	1,454,000	0.10	0.2	**** 27th	**** 4th
National Resources Conservation Service	343,000	0.02	< 0.1	***** 40th	***** 5th
Watershed and Flood Prevention Operations	336,000	0.02	< 0.1	***** 37th	***** 5th
Resource Conservation and Development	7,000	< 0.01	< 0.1	***** 31st	***** 5th
Rural Housing and Development Service	261,000	0.02	< 0.1	49th	7th
Other Rural Programs	41,000	< 0.01	< 0.1	***** 40th	***** 4th
<b>Total of DOA Grants to Florida</b>	<b>\$ 727,798,000</b>	<b>\$ 50.54</b>	<b>100.0</b>	<b>35th</b>	<b>4th</b>

\* One state did not receive funding in fiscal year 1996. In per capita terms, Florida ranked 47th among the 49 states and 7th among the seven most populous states that received funding.

\*\* Seven states did not receive funding in 1996. Florida ranked 32nd, on a per capita basis, among the 43 states and 4th among the seven most populous states that received funding.

\*\*\* Thirty-three states did not receive funding in fiscal year 1996. In per capita terms, Florida ranked 8th among the 17 states that received funding. Only four of the seven most populous states received funding that year; Florida ranked 1st.

\*\*\*\* Twenty-three states did not receive funding in 1996. Florida ranked last, on a per capita basis, among the 27 states that received funding. Only four of the seven most populous states received funding that year; Florida ranked last.

\*\*\*\*\* Five states did not receive funding in fiscal year 1996. In per capita terms, Florida ranked 40th of the 45 states that received funding. Only six of the seven most populous states received funding that year; Florida ranked 5th.

\*\*\*\*\* Eight states did not receive funding in 1996. Florida ranked 37th, on a per capita basis, among the 42 states that received funding. Only six of the seven most populous states received funding that year; Florida ranked 5th.

\*\*\*\*\* Eighteen states did not receive funding in fiscal year 1996. In per capita terms, Florida ranked 31st among the 32 states that received funding. Only six of the seven most populous states received funding that year; Florida ranked 5th.

\*\*\*\*\* Eight states did not receive funding in 1996. Florida ranked 40th, on a per capita basis, among the 42 states that received funding. Only five of the seven most populous states received funding that year; Florida ranked 4th.

**Table 10**  
**1996 Federal Expenditures to Florida State and Local Governments**  
**Grant Programs Administered by the U.S. Department of Education (DOE)**  
**(Major Categories Are Listed in Bold Type; Subcategories Are Listed in Regular Type)**

<b>Grant Program</b>	<b>Total Expenditure</b>	<b>Per Capita Expenditure</b>	<b>% of Florida's Total DOE Grants</b>	<b>Per Capita Ranking:</b>	
				<b>All States</b>	<b>7 Most Populous States</b>
<b>Office of Elementary and Secondary Education</b>	<b>\$ 353,707,000</b>	<b>\$ 24.56</b>	<b>52.7</b>	<b>39th</b>	<b>7th</b>
Education for Disadvantaged	285,542,000	19.83	42.6	* 33rd	* 7th
School Improvement Program	53,451,000	3.71	8.0	31st	3rd
School Assistance in Federally Affected Areas	14,656,000	1.02	2.2	39th	5th
Indian Education	58,000	< 0.01	< 0.1	** 38th	** 5th
<b>Office of Special Education and Rehabilitative Services</b>	<b>253,565,000</b>	<b>17.61</b>	<b>37.8</b>	<b>41st</b>	<b>4th</b>
Education for the Handicapped	156,140,000	10.84	23.3	25th	1st
Rehabilitative Services and Handicapped Research	97,425,000	6.77	14.5	41st	5th
<b>Office of Vocational and Adult Education</b>	<b>51,902,000</b>	<b>3.60</b>	<b>7.7</b>	<b>45th</b>	<b>6th</b>
Educational Research and Improvement - Libraries	5,983,000	0.42	0.9	43rd	6th
Bilingual Education and Minority Language Affairs	4,053,000	0.28	0.6	*** 28th	*** 5th
Office of Post Secondary Education	1,261,000	0.09	0.2	50th	7th
Other	183,000	0.01	< 0.1	**** 47th	**** 7th
<b>Total of DOE Grants to Florida</b>	<b>\$ 670,655,000</b>	<b>\$ 46.57</b>	<b>100.0</b>	<b>40th</b>	<b>7th</b>

**Table 10 continued**

\* One state did not receive funding in fiscal year 1996. In per capita terms, Florida ranked 33rd among the 49 states and 7th among the seven most populous states that received funding.

\*\* Nine states did not receive funding in 1996. Florida ranked 38th, on a per capita basis, among the 41 states that received funding. Only six of the seven most populous states received funding that year; Florida ranked 5th.

\*\*\* One state did not receive funding in fiscal year 1996. In per capita terms, Florida ranked 28th among the 49 states and 5th among the seven most populous states that received funding.

\*\*\*\* One state did not receive funding in 1996. Florida ranked 47th, on a per capita basis, among the 49 states and 7th among the seven most populous states that received funding.

The five remaining budget categories: Office of Vocational and Adult Education, Educational Research and Improvement, Bilingual Education and Minority Language Affairs, Office of Post Secondary Education, and Other, accounted for the approximately 10 percent of DOE grant funding to Florida in fiscal year 1996.

#### *6. Grants Administered by the U.S. Department of Labor*

Grant programs administered by the U.S. Department of Labor (DOL) represented the sixth largest departmental source of grant funding for Florida in fiscal year 1996. Collectively, these grant expenditures totaled \$289 million or \$20.05 per capita and accounted for approximately 3 percent of all grant funding received that year. In per capita terms, Florida ranked 40th among all states and 7th among the seven most populous states in total DOL grant funding.

*Table 11* summarizes the three budget categories and the respective expenditures for Florida in 1996. The most significant of these budget categories, accounting for nearly all DOL grant expenditures to the state that year, was the Employment and Training Administration (ETA). Collectively, the grant expenditures associated with this budget category totaled \$288 million or \$19.97 per capita. Florida ranked 40th, on a per capita basis, among the states and last among the seven most populous states in ETA funding in 1996. The two other budget categories, which constituted the remaining 0.4 percent of total DOL grant expenditures in 1996, accounted for expenditures totaling just over \$1 million.

#### *7. Grants Administered by the Other Federal Departments and Agencies*

As previously mentioned in text and illustrated by *Table 4*, the grants received from six departments (Health and Human Services, Transportation, Housing and Urban Development, Agriculture, Education, and Labor) accounted for approximately 95 percent of all federal grant expenditures in Florida that year. Grant programs of sixteen other federal departments and agencies constituted the remaining 5 percent of total federal grant expenditures. These programs accounted for \$404 million or \$28.07 per capita.

**Table 11**  
**1996 Federal Expenditures to Florida State and Local Governments**  
**Grant Programs Administered by the U.S. Department of Labor (DOL)**  
(Major Categories Are Listed in Bold Type; Subcategories Are Listed in Regular Type)

<b>Grant Program</b>	<b>Total Expenditure</b>	<b>Per Capita Expenditure</b>	<b>% of Florida's Total DOL Grants</b>	<b>Per Capita Ranking:</b>	
				<b>All States</b>	<b>7 Most Populous States</b>
<b>Employment and Training Administration</b>	<b>\$ 287,569,000</b>	<b>\$ 19.97</b>	<b>99.6</b>	<b>40th</b>	<b>7th</b>
Job Training Partnership Act	168,327,000	11.69	58.3	20th	4th
State Unemployment Insurance and Employment Service Operations	119,188,000	8.28	41.3	46th	7th
Community Service Employment for Older Americans	54,000	< 0.01	< 0.1	* 46th	* 7th
<b>Occupational Safety and Health Administration</b>	<b>1,066,000</b>	<b>0.07</b>	<b>0.4</b>	<b>47th</b>	<b>5th</b>
<b>Mine Safety and Health Administration</b>	<b>121,000</b>	<b>0.01</b>	<b>&lt; 0.1</b>	<b>** 37th</b>	<b>** 5th</b>
<b>Total of DOL Grants to Florida</b>	<b>\$ 288,756,000</b>	<b>\$ 20.05</b>	<b>100.0</b>	<b>40th</b>	<b>7th</b>
* Four states did not receive funding in fiscal year 1996. In per capita terms, Florida ranked last among the 46 states and 7th among the seven most populous states that received funding.					
** Four states did not receive funding in 1996. Florida ranked 37th, on a per capita basis, among the 46 states and 5th among the seven most populous states that received funding.					

### C. Impact of Federal Grant Expenditures to Florida

Florida ranked 48th, on a per capita basis, among the states in the receipt of federal grant expenditures. This is significant given the fact that federal grants have been and will continue to be important sources of revenue utilized by state and local governments to provide necessary governmental services to its residents.

Florida's state and local governments received approximately \$8.4 billion in grants and other payments during fiscal year 1996. The state's per capita federal grant expenditure of \$586 in 1996 was approximately 70 percent of the average of all other states. Among the seven most populous

states, Florida had the lowest per capita ranking. In addition, Florida's per capita ranking among all states in six of the ten largest grant categories did not exceed 40th place. Not surprisingly, in view of the state's overall low per capita ranking, Florida generally ranked low, relative to other states, in grants and other payments funded by the various federal departments and agencies

Although this report is intended to provide an overview of federal expenditures, with particular emphasis on grant expenditures to Florida, it does not adequately address the answer to the question of why the state ranks so low, on a per capita basis, relative to other states in many grant categories. Much of the difficulty with trying to answer such a question has to do with the fact that the reported expenditures of hundreds of separate grant programs are aggregated by the federal government into broad budget categories for reporting purposes. This aggregation of expenditure data into these budget categories masks differences among individual grant programs. A high per capita ranking in a particular program may be offset by a low per capita ranking in another program.

In addition, this report utilizes a per capita measure to control for population differences among states. However, this measure does not take into consideration levels of need or utilization. For example, a state may perceive a need for certain grant funding but be unable to receive monies due to the program's eligibility requirements. Conversely, a state may be fully qualified to participate in a particular federal program but choose not to participate, or participate fully, due to the requirements or conditions associated with the program. Ultimately, the question of why Florida ranks low, on a per capita basis, relative to other states in specific grant programs will require a more extensive examination of those programs.

Although there may be numerous reasons for Florida's low per capita grant funding generally, three known reasons are of particular significance. First, many funding formulas are based on outdated population figures or other factors that do not reflect the state's unprecedented growth in recent decades or its current situation. Second, Florida has not aggressively pursued all federal funding options. Third, Florida must have the support of the majority of representation in both houses of Congress in order to revise past funding formula inequities. This support is difficult to obtain since many states stand to lose federal funds under revised formulas that would benefit Florida.

Although the task of increasing the state's receipt of federal grants may seem daunting, the Florida Legislature should strive to assist the Florida Congressional Delegation in this effort. The state should work to form coalitions with other states that experience similar funding inequities, especially large population, high growth states such as California and Texas. Additionally, the state's elected officials should send clear and unified messages urging the Delegation to move forward with those proposals that will increase Florida's receipt of federal funds. Finally, there should be regular contact between members and staff of the Florida Legislature and the Florida Congressional Delegation on issues of state importance, particularly issues of federal funding.