

# RESEARCH REPORT

Florida  
TaxWatch

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1114 Thomasville Road ■ P.O. Box 10209 ■ Tallahassee, FL 32302 ■ Phone: (904) 222-5052 ■ Fax: (904) 222-7476

## Florida Still Getting Shortchanged on Federal Grants

Over the years, Florida TaxWatch has tracked the distribution of grants by the federal government and has shown that historically, Florida does not receive its fair share of grants to state and local governments. Based on the latest data (FY 1995), Florida continues to get shortchanged on federal grants. But it does appear our state is doing better. Florida still receives less in federal grants than most other states, both in terms of per capita grants and in relation to the state's federal tax burden.

**Per capita grant receipts.** Florida received \$9.078 billion in federal grants in aid during fiscal year 1995. This is equal to \$650.62 per Floridian and compares to \$866.47 per capita nationally. This ranks Florida 46th in the amount of per capita aid received. Only four states -- Virginia, Nevada, Indiana and Kansas -- received smaller amounts per person -- \$535, \$605, \$616 and \$646, respectively. The District of Columbia and the territories of American Samoa, Guam, Northern Marianas, Puerto Rico and the Virgin Islands also receive considerably more in per capita aid than Florida.

*If Florida received a share of all federal grants equal to its share of all federal taxes paid, Florida would have received \$3.3 billion more than it did in FY 1995.*

While Florida continues to get less than its fair share, there is better news. In recent years, Florida has experienced a modest improvement in grant acquisitions. For many years and as recently as 1990, Florida ranked 50th among the 50 states in per capita grants. In 1991 it moved to 49th, in 1994 it rose to 48th. Up two more spots in 1995, Florida is at its highest ranking yet - 46th. Still well below an equitable ranking, but the steady improvement in the 1990s is heartening.

In fact, Florida experienced the fifth fastest growth in per capita grant receipts between 1990 and 1995 (see table on page 3.) Florida's growth of 84.0% trailed only West Virginia, New Hampshire, Louisiana and Missouri. As a result, Florida's per capita grants rose from 65% of the national average in 1990 to 75% in 1995. Again, this is still well below the average state but the gap is narrowing.

The top five states in per capita receipts are Alaska (\$1,856), Wyoming (\$1,572), New York (\$1,340), Rhode Island (\$1,280) and Louisiana (\$1,226) (see Table on page 2.)

### Per Capita Federal Aid and Federal Tax Burden in Fiscal Year 1995

	Total	DOT	HUD	Medicaid	AFDC	Labor	Other	Federal Tax Burden
<b>Florida</b>	\$650.62	\$74.49	\$55.68	\$251.98	\$44.57	\$20.48	\$142.23	\$5,100
<b>Rank</b>	46	33	42	40	35	39	50	19
<b>U.S. Average</b>	\$866.47	\$90.49	\$76.60	\$337.11	\$64.91	\$25.82	\$198.50	\$5,067

Source: Florida TaxWatch and the U.S. Department of Commerce, November 1996.

# Per Capita Federal Grant Receipts and Estimated Federal Tax Burden for Grants FY 1995

State	Tax Burden Per \$ of Aid	Rank	Per Capita Fed Grants	Rank	State	Tax Burden Per \$ of Aid	Rank	Per Capita Fed Grants	Rank
Alabama	\$0.83	17	\$810.40	28	Montana	\$0.63	8	\$1,090.30	11
Alaska	0.53	2	1,856.02	1	Nebraska	0.90	21	887.23	19
Arizona	0.94	26	773.05	36	Nevada	1.65	50	605.37	49
Arkansas	0.77	14	852.37	23	New Hampshire	1.27	41	761.27	37
California	1.01	28	856.94	22	New Jersey	1.40	48	839.94	24
Colorado	1.40	47	653.93	45	New Mexico	0.57	6	1,128.08	10
Connecticut	1.36	45	975.72	16	New York	0.78	15	1,340.11	3
Delaware	1.28	42	793.51	32	North Carolina	0.95	27	776.12	34
Florida	1.33	44	650.62	46	North Dakota	0.60	7	1,203.76	6
Georgia	1.01	31	774.12	35	Ohio	1.01	30	821.03	26
Hawaii	0.90	20	985.19	15	Oklahoma	0.87	19	758.85	38
Idaho	0.94	25	749.26	39	Oregon	0.91	22	895.43	18
Illinois	1.23	39	807.23	29	Pennsylvania	1.02	32	859.08	21
Indiana	1.29	43	616.44	48	Rhode Island	0.70	11	1,280.06	4
Iowa	1.05	33	733.09	41	South Carolina	0.80	16	826.18	25
Kansas	1.26	40	645.70	47	South Dakota	0.67	10	1,128.15	9
Kentucky	0.74	13	898.09	17	Tennessee	0.87	18	875.53	20
Louisiana	0.55	5	1,226.25	5	Texas	1.07	34	725.76	42
Maine	0.66	9	1,060.57	13	Utah	0.92	23	690.94	44
Maryland	1.37	46	717.95	43	Vermont	0.71	12	1,077.34	12
Massachusetts	0.93	24	1,130.51	8	Virginia	1.65	49	534.84	50
Michigan	1.14	38	799.19	31	Washington	1.12	35	814.31	27
Minnesota	1.13	37	806.93	30	West Virginia	0.53	1	1,138.09	7
Mississippi	0.55	4	1,025.86	14	Wisconsin	1.13	36	733.75	40
Missouri	1.01	29	787.95	33	Wyoming	0.53	3	1,571.96	2

Source: Florida TaxWatch, U.S. Dept. of Commerce and the Tax Foundation, Inc., November 1996.

Florida's poor performance cuts across all grant program areas (see table on page 1.) Five of the largest grant categories and Florida's per capita grant ranking for FY 1995 are: Medicaid - 40th; transportation - 33th; housing and community development - 42th; AFDC - 35th; and Job Training Partnership Act and other employment services - 39th. In the miscellaneous "other" grant category Florida ranks dead last in per capita receipts. This category contains a myriad of grant programs and accounts for nearly one-quarter of all federal grants distributed to the states.

Although still low, some improvement in individual grant categories can be seen. In 1990, Florida's rank in these categories was Medicaid - 44th; transportation - 50th; housing and community development - 48th; AFDC - 44th; Job Training Partnership Act and other employment services - 50th; and other grants - 50th.

**Grants received relative to taxes paid.** When grants are viewed as a return on federal taxes paid, Florida does not fare much better. If you consider that while Florida ranks 46th in per capita grants but 19th in per capita federal taxes paid, the disparity is clear. By comparing a state's share of total federal taxes paid to its proportional share of grants received, an approximation of what grants "cost" a state can be calculated. Using this measure, federal grants cost Florida taxpayers \$1.33 for each \$1.00 returned to the state in grants. This is the seventh highest price (44th best return) in the nation.

Although still low, this too is a bit better than in the past. In 1994, Florida ranked 45 and was dead last (50th) in 1986. Florida is not the only state getting shortchanged on grants. Twenty-one others paid a premium for aid, led by Nevada (\$1.65), Virginia (\$1.65) and New Jersey (\$1.40).

For 28 states federal grants are a bargain. West Virginia tops the "receiver" states, paying 53 cents on the dollar for aid. Large subsidies were also enjoyed by Alaska (53 cents), Wyoming (53 cents) and Mississippi (55 cents).

U.S. taxpayers paid \$1.32 trillion in taxes to Washington in 1995 and \$229 billion was returned to the states in grants. Florida paid \$71.2 billion in federal taxes, or about 5.4% of total federal taxes paid. However, Florida only received \$9 billion or 4.0% of the total grants.

If Florida received a share of all federal grants equal to its share of all federal taxes paid, federal grants to Florida in FY 1995 would have equaled \$12.4 billion, or \$3.3 billion more than it actually received.

### Why does Florida fare so poorly?

There are a number of factors that determine how much a state receives in federal grants. However, Florida's problem can be summed up in three major points.

1) Florida's spending patterns. If a state spends less in matching fund programs, it receives less in federal funds for those programs. A conscious effort was made in the 1970s to not aggressively seek federal funds since then-Governor Rubin Askew feared the unpredictability of that funding source. His concerns proved to be well-founded, when growth in federal grants -- which had averaged 15% annually in the 1970s -- slowed to 3% a year in the 1980s. Further, if Medicaid (which is the largest grant program and which grew significantly in the 1980s) is excluded, growth was less than 2%. However, it must now be noted that federal grant outlays have picked back up, averaging 11.2% annual growth so far this decade.

Florida should not spend state money simply for the purpose of acquiring more federal funds. Florida will probably never become a net receiver of federal grants. That is not necessarily a bad thing. But Florida should do everything possible to maximize federal funding within the state's spending decisions. To help attain this, the following two obstacles can, at least to some degree, be overcome.

2) A lack of sophistication, coordination and information in our grant seeking efforts, both in Tallahassee and Washington. Governor Lawton Chiles has made maximizing federal funds a priority and his "Federal Funds for Florida" initiative has led to improvements, but Florida is still behind the curve. For example, in 1992 Florida TaxWatch issued a report that showed how Florida was passing up tens of millions of matching Medicaid dollars on state general revenue funds Florida was already spending in the Departments of Health and Rehabilitative Services and Education.

The Governor's Intergovernmental Affairs Policy Unit -- set up under "Federal Funds for Florida" -- has been dissolved and there is no longer a central unit for coordinating and monitoring grants. This should be readdressed. Also, the monitoring of federal grants should not end with the receipt of funds. Care should be taken that those funds are administered and spent properly as well.

3) Inequitable funding formulas. The federal government uses many complex formulas to decide how to distribute aid to the states. Unfortunately many formulas rely on population measures, not measures of the need that exists in each state for the funds a program distributes. In addition, many federal funding programs have used decennial census

#### *States with the Ten Largest Increases in Per Capita Federal Grant Receipts FY 1990-95*

West Virginia	102.3%
New Hampshire	97.8%
Louisiana	94.7%
Missouri	85.2%
<b>Florida</b>	<b>84.0%</b>
California	83.1%
Hawaii	82.6%
Nebraska	79.8%
Texas	79.0%
New Mexico	78.2%

Source: Florida TaxWatch and U.S. Dept. of Commerce, November 1996.

information in their formulas. Not using annually revised data obviously hurts a growth state like Florida and contributed to Florida's low grant receipts in the late 1980s.

Although it is difficult to determine, the change to 1990 census data may have helped lead to the improvement in Florida's grant ranking. But as the decade wears on, the outdated numbers will penalize Florida more and more. To add insult to injury, the Bureau of the Census decided in 1992 not to use adjusted 1990 census data. This adjusted data would have included many uncounted Floridians. It is estimated that the decision to not use this more accurate data in grant formulas will cost Florida \$180-\$200 million in the 1990s.

Many grant programs also include "hold harmless" provisions, which ensure that a state's amount of funding does not decrease. This makes it extremely difficult for states like Florida to "catch up."

U. S. Senators Bob Graham and Connie Mack have long fought to correct these problems but resistance from "receiver" states has been strong. This is one area that Florida, California, Texas and other large, fast growing, "payer" states must band together to effectuate change in Washington, D.C.

This report was researched and written by Kurt R. Wenner, Senior Research Analyst, under the direction of Dr. Neil S. Crispo, Senior Vice President, Research and Operations. Catherine M. Haagenson, Communications Director; Gable Abblett, Publications Assistant

David McIntosh, Chairman; Dominic M. Calabro, President and Publisher  
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## About Florida TaxWatch

Florida TaxWatch is a private, non-profit, non-partisan research institute supported entirely by voluntary, tax-deductible membership contributions and philanthropic foundation grants. Florida TaxWatch is the only statewide organization entirely devoted to protecting and promoting the political and economic freedoms of Floridians as well as the economic prosperity of our state. Florida TaxWatch is supported by all types of taxpayers -- homeowners, small businesses, corporations, professional firms, labor unions, associations, individuals and philanthropic foundations -- representing a wide spectrum of Florida's citizens. Florida TaxWatch has worked to build government efficiency and promote responsible, cost-effective improvements that add value and benefit taxpayers. This diligence has yielded impressive results: through the years, three-fourths of TaxWatch's cost-saving recommendations have been implemented, saving taxpayers over \$5 billion. That translates to approximately \$875 in added value for every Florida family.



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