



THE FLORIDA SENATE
SENATOR JEFF ATWATER
President

January 28, 2009

The Honorable Lincoln Diaz-Balart
Chairman, Florida Delegation
United States Congress
2244 Rayburn House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

Thank you for the opportunity to join the conversation on federal stimulus funds and offer our perspective on how any such package could best be structured to assist Florida families and communities.

By way of background, the Florida Legislature has just concluded a special session in which we took needed measures to maintain the fiscal viability of our state. Unlike other states which have been unable to bring spending and revenues into balance, in Florida significant but necessary spending reductions were combined with the use of reserves and trust funds to ensure that Florida's budget remains balanced for the 2009 fiscal year. We trust that the Legislature's responsible fiscal behavior will be acknowledged as Congress determines where and how to focus stimulus funds from the federal government.

One of my first tasks as Senate President was to appoint a bipartisan group of senators to serve on a Select Committee on Florida's Economy. Over the past two weeks our Select Committee has invited Floridians from across our state to share their specific suggestions on economic recovery. To date we have heard from more than 150 business people, leaders in education and health care, local government officials, and representatives of the primary industries in our state. As an overarching concern, there emerged a shared sense from all contributors that while the recession is pervasive, it appears that conditions, needs and priorities may vary among different sections of our country and our state. Therefore, nearly all those testifying would encourage Congress to allow some measure of flexibility and discretion by states in the use of stimulus dollars.

Following is a distillation of many valuable thoughts and observations categorized by topic, offered respectfully for your consideration.

Health Care and Federal Share of Medicaid

Average per capita income figures are developed across the states and the nation, and are used as a baseline for determining Medicaid distributions. The typical state with an average per capita income receives a Federal Medicaid Assistance Percentage (FMAP) of 55 percent. In calculating the Florida FMAP for FY 2009, per capita income from 2004-2006 was used. The impact of seven hurricanes and subsequent massive reconstruction during that period led to an artificially inflated state per capita income, resulting in a decreased Florida FMAP. This temporary and extraordinary spike in the index means that Florida has lost nearly \$500 million in federal Medicaid payments during the most recent two years. During that same period of time, our Medicaid enrollment increased by more than 260,000, or roughly 12.0 percent, compounding the impact of the decreased FMAP.

Changes in the FMAP also impact the federal share of funding in other areas involving prescription drugs, SCHIP, foster care and adoption assistance. Resolving the FMAP issue in the context of the stimulus package would allow Florida to rebalance the delivery of health and human services to our most needy residents.

Flexibility in Health and Education Waivers

In a broader sense, in order for any stimulus package to achieve lasting positive impacts, it should include some measure of flexibility in the application of federal health and education programs. Appropriate flexibility would eliminate or reduce the need for waivers, and in those instances where waivers were necessary, make waivers broader and easier to obtain for those most in need.

If President Obama follows through on a federal teacher performance pay program, Florida could use stimulus funds to buy out some current expenditures on school recognition, national board certification and teacher Merit Awards.

Regional Economic Clusters Creating Recurring Jobs and Revenues

While the economic crisis we face today is unique in its scope and depth, there is a useful lesson in how Florida responded to the loss of tax revenues subsequent to the events of 9/11. At that time, the federal government also created a stimulus package for states in the form of block grants.

Most states used the 9/11 funds to fill budget deficits and fund shortfalls in the general operations of government. In those cases, funds were spent for one-time purposes and the stimulative impact was temporary. Florida, however, used over \$300 million from that stimulus package for economic development tied to biomedical research and the attraction of over 500 high wage jobs. Assuming the 2009 stimulus package is short term, non-recurring money, a

substantial share should be used in a way that generates jobs, thereby providing an ongoing multiplier for Florida's economy.

One option, if given the flexibility to do so, would be to create multiple incentive packages in strategic economic centers around the state, linked to our research universities. For example, \$300 million in stimulus monies could be used to create six \$50 million regional clusters tied directly to the needs, infrastructure and potential of each location. These funds could be used as a combination of economic development grants and low interest loans. A revolving, low-interest loan fund is not only self-replenishing but also addresses the need for carefully targeted help throughout the credit markets.

Federal funds would be enhanced by local and state contributions to a particular economic package, either in cash, tax incentives, land donations, job training, or transportation support. Each such regional cluster could have specific job creation criteria that would mirror, or be a variation of, our state's Quick Action Closing Fund, a fund used to attract or retain businesses.

Incorporation of this, or some similar approach, would assure that stimulus funds would not simply run through the economy one time, but would support regional economic engines within Florida that would produce revenues and tax-paying jobs year after year.

Stability of the CAT Fund

State discretion in the use of at least a portion of the package would allow Florida to stabilize its CAT fund and improve the viability of the commercial insurance market within the state. This would reduce the liability of our citizens for the financial consequences of a devastating hurricane season. Stability in the insurance markets would help sustain recovery in the housing market.

"Shovel-ready" Infrastructure Projects

Florida is ready today to begin over \$1 billion in vitally needed, "shovel-ready" projects in transportation, storm water and other infrastructure construction. This amount of money put into these kinds of capital projects would yield 20,000 good jobs in Florida immediately. The state's seaports, rails, airports and water projects provide an opportunity for using stimulus funds to solve infrastructure needs, establish lasting assets, and create jobs.

Finally, affordable workforce housing is a critical element of our economic infrastructure. The deteriorating economy, rapidly rising underemployment and unemployment, increasing food stamp rolls, and the decrease in available credit all exacerbate the need for housing that working families can find and afford. The flexibility to direct some portion of the stimulus funds to develop affordable workforce housing would assist in job growth and retention, and regenerate local tax bases.

Fund Mechanics

Whatever the final program design, the mechanics of distribution will play a critical role in determining its ultimate success. Benchmarks such as maintenance of effort, matching funds or "use it or lose it" requirements tied to levels of spending ignore the strained economic circumstances under which the state has been operating for the past few years. In a very real sense, Florida would be punished for making difficult budgetary decisions that curtailed spending in order to be fiscally responsible. Arguably the appropriate normalized baselines should be pegged off of economic data prior to the housing run up and the distortion of subprime returns on financial metrics if litmus tests are to be incorporated at all. From what we have seen to date, admittedly cursory, Florida would not be able to take advantage of most of the benefits as the program is currently structured, particularly in the vital area of education.

We recognize that we have a shared obligation to accept the serious responsibilities of recovery, which includes the proper management of federal stimulus funds. Our Select Committee has been charged with identifying and removing barriers to economic recovery over which the state government has control or influence, examining the state's tax code for opportunities to stimulate business activity, and changing our economic development policy to make Florida more competitive. We view these efforts as part and parcel of the overall stimulus effort, and we expect the contributions of the Select Committee to continue over the next two years.

At some point it would be valuable for representatives of the delegation and a small group of Senate leaders and financial analysts to meet for a thoughtfully developed, clearly focused conversation on the substance and structure of any forthcoming stimulus package. We would hope to thoroughly explore the short and long-term ramifications of the package for the state, and our mutual obligation to manage these funds responsibly. I stand ready to respond at your convenience.

The Florida Senate is deeply grateful for your interest in our recommendations and for your commitment to Florida. We look forward to working closely with you in the days ahead as the stimulus package is considered by the Congress.

Sincerely,



Jeff Atwater
President

C: Members of the Florida Congressional Delegation
Senator JD Alexander, Chair, Senate Policy and Steering Committee on Ways and Means
Senator Don Gaetz, Chair, Senate Select Committee on Florida's Economy
Senator Alex Diaz de la Portilla, Senate Majority Leader