

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Bill: CS/CS/SB 1454

SPONSOR: Appropriations Subcommittee on Health and Human Services, Comprehensive Planning Committee, Senator Atwater, and others

SUBJECT: Local Government Funding

DATE: April 10, 2003      REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Herrin	Yeatman	CP	Fav/CS
2.	Wilson	Wilson	GO	Favorable
3.	Peters	Belcher	AHS	Fav/CS
4.			AP	
5.				
6.				

**I. Summary:**

The bill creates the “Local Funding Revenue Maximization Act” to enhance the abilities of agencies and local political subdivisions to achieve maximum federal matching of funds for as many clients and health and human service needs as possible.

The bill creates unspecified sections to the Florida Statutes.

**II. Present Situation:**

Congress appropriates funds annually to individual states for specific health and human service needs. Most of these funds are made available to the states on a matching basis. In some instances, the federal government may double the matching funds certified by the states. If the federal funds are appropriated on a matching basis and the states do not take advantage of the match, donor states like Florida return the funds to the federal government and the funds are reverted to the federal government or redirected to better-performing states. Although the Legislature has implemented strategies to draw down federal funds, the state of Florida has lost millions in federal funding because the state general revenue match is not available.

The concept of “revenue maximization” involves the development of strategies for the identification of federal matching dollars and the “reimbursement for the broadest scope of eligible services and clients.” Basically, revenue maximization results in a coordinated effort to use local matching dollars to draw down as much federal funding as possible to meet local, critical human service needs. The 2000 Census figures demonstrate that Florida receives a lower amount per person in federal revenue as compared to several other southeastern states. The state

of Florida receives \$642.68 per person in federal funding as compared to \$789.05 per person in Georgia, \$1,091.48 per person in South Carolina, and \$ 1,067.30 per person in North Carolina.

In Florida, efforts to maximize revenue or increase federal matching requires legislative approval or budgetary authority. In addition, agencies incur administrative costs in their efforts to obtain federal matching funds. Some other states have implemented statewide revenue maximization legislation that requires state agencies to work collaboratively with local fund providers to achieve the maximum federal match for as many clients and human service needs as possible. The process for revenue maximization using local funds involves the following:

- Local government receives funds from private donors/funders.
- Local government submits paper work to the state agency.
- State agency committee substitutes the federal agency showing the local funds as a required state match.
- Federal agency pays the federal share to the state agency.
- The state agency retains 5 percent for administrative costs and then forwards the funds to the local government for distribution.

### III. Effect of Proposed Changes:

**Section 1** of the bill creates the “Local Funding Revenue Maximization Act” and provides the following statements of legislative intent:

- Authorization of the use of certified local funding for federal matching programs.
- State agencies will take a proactive approach towards implementing this legislative priority.
- This act shall be revenue-neutral with respect to state funds.
- Revenue maximization opportunities using certified local funds shall occur only after available state funds have been utilized to generate matching federal funding for the state.
- Participation in revenue maximization is to be voluntary for the local political subdivisions.
- Certified local funding for federal matching programs will not supplant or replace state funds.
- Revenue maximization shall not divert existing funds from state agencies currently using local funds to maximize matching federal and state funds to the greatest extent possible.

The bill defines “agency” as any state agency or department involved in providing health, social, or human services, including, but not limited to, the Agency for Health Care Administration, the Agency for Workforce Innovation, the Department of Children and Family Services, the Department of Elderly Affairs, the Department of Juvenile Justice, and the Florida Board of Education. The committee substitute requires each agency to establish programs and mechanisms designed to maximize the use of local funding for federal programs in accordance with the act.

The bill stipulates that the use of local matching funds for purposes of the act is limited to public revenue funds of local political subdivisions, including, but not limited to, counties, municipalities, and special districts. Funds donated to local political subdivisions by private entities will be considered as public revenue funds, to the extent permitted by federal law, for the purpose of matching federal funding.

The bill further provides that any federal reimbursement received as the result of certification of local matching funds must, unless specifically prohibited by federal law and subject to the availability of specific appropriation and release authority, be returned within 30 days after receipt, by the most expedient means possible, to the local political subdivision that provided the funding. Also, the local political subdivision must be provided with an annual accounting of federal reimbursements received by the state or its agencies as the result of that local political subdivision's certification of local matching funds.

Under the bill, the receipt of federal matching funds by a local political subdivision may not be considered as a factor in an agency's development of its annual operating budget allocation methodology or formula or any subsequent budget amendment allocations or formula. If necessary, the local political subdivision may enter into an agreement with the agency that requires the local political subdivision to do the following:

- Verify the eligibility of the local program and individuals served by the program to qualify for federal matching funds;
- Develop and maintain the financial records necessary for documenting the appropriate use of federal funds;
- Comply with all applicable state and federal laws, regulations, and rules that regulate these federal services; and
- Reimburse the cost of any disallowance of federal funding previously provided to a local political subdivision resulting from the failure of that local political subdivision to comply with applicable state or federal laws, rules, or regulations.

This also requires each agency to work with the local political subdivisions to modify any state plans to seek and implement federal waivers, as necessary, to implement the act. If modifications or waivers require legislative approval, the agency shall draft the legislation and present it to the Speaker of the House of Representatives, the President of the Senate, and the respective committee chairs of the Senate and House of Representatives by January 1, 2004, and, as necessary, annually thereafter.

The bill allows each agency to deduct not more than 5 percent of the total federal reimbursement funding to be provided to the local political subdivision for administrative costs before those funds are distributed to a local political subdivision. However, if any other provision of state law applies to the certification of local matching funds for a specific program, its provisions relating to administrative costs shall govern.

The bill provides that a local political subdivision, failing to receive federal matching funds from the state agency within 30 days after receipt of those funds by the agency, will receive interest on the unpaid amount, at a rate pursuant to s. 55.03(1), F.S., from the expiration of the 30-day period until the funds are received.

Finally, the bill requires each agency to submit a report documenting the specific activities undertaken during the previous fiscal year under this act on an annual basis to the Governor, the Speaker of the House of Representatives, and the President of the Senate no later than January 1. The report must include, but is not limited to:

- Statement of the total amount of federal matching funds generated by local matching funds under this act as reported by the federal funding source;
- Total amount of block grant funds expended during the previous fiscal year as reported by the federal funding source;
- Total amount for federal matching programs, including, but not limited to, Temporary Assistance for Needy Families and Child Care and Development Fund, of unobligated funds and unliquidated funds as of the close of the federal fiscal year;
- Amount of unliquidated funds that is in danger of being returned to the federal government at the end of the current federal fiscal year; and a
- Detailed plan and timeline for spending any obligated and unliquidated funds by the end of the current federal fiscal year.

**Section 2** of the bill provides an effective date of July 1, 2003.

#### **IV. Constitutional Issues:**

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

#### **V. Economic Impact and Fiscal Note:**

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

The bill potentially increases funds available to address critical, local human health and services needs. As more federal matching dollars are received as the result of certifying local funding, these funds will be distributed to eligible programs.

C. Government Sector Impact:

The bill provides that the receipt of federal matching funds by a local political subdivision may not be considered as a factor in an agency's development of its annual operating budget allocation methodology or formula or any subsequent budget amendment allocations or formula. However, the bill would benefit local political subdivisions by allowing them to use federal matching dollars to serve the greatest

number of eligible clients and to provide the broadest range of health and human services to those clients.

The bill allows an agency to retain 5 percent of the total federal reimbursement funding to be provided to the local political subdivision to cover administrative costs.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Amendments:**

None.

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This Senate staff analysis does not reflect the intent or official position of the committee substitute's sponsor or the Florida Senate.

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