

**The Economic Impact of FACLA funding
for Legal Aid Services in the State of Florida**

Florida TaxWatch

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I. Executive Summary

Civil legal aid programs in Florida provide a broad array of legal services to Floridians who otherwise would not have legal representation. Florida TaxWatch calculated the economic impact of the \$905,415¹ state funding provision for the Florida Access to Civil Legal Assistance Act (FACLA – 2008-09) on the Florida economy.

Calculating the total economic impact of a program involves estimating the total new expenditure streams that result from the program's activities. In this case the expenditure streams generate two different layers of impact, primary and induced. We focus on the induced effects in this study, and estimate the economic impact of the following three categories of induced revenues and cost savings:

- *Social Security/SSI revenue* – Direct dollar benefits secured by FACLA cases totaled \$1.62 million in lump sum and \$1.1 million in recurring monthly benefits; and
- *Reduction in State Expenditures on domestic violence costs* – FACLA funding saved \$153,445 in avoided costs.

The final stage of the analysis involves estimating the long-run effect that the induced income streams and cost savings have on Florida's economy. Any new expenditure stream will result in additional expenditure flows as other industries are affected by the new demand. This interconnection between industries is reflected in input-output models. We use the REMI model, a well-respected dynamic input-output model, to estimate the total long run effect of the expenditures.

Results

The total economic impact of FACLA funded civil legal aid is significant. In state fiscal year 2008-2009 (FY 2008-09), FACLA:

- Created 170 (non-legal services) jobs;

¹ Due to reduced available state revenue, payment of the State of Florida's appropriation of \$1,000,000 for FACLA services for the fiscal year 2008-2009 (July 1, 2008 – June 30, 2009) was decreased to \$905,415.

- Produced \$13 million of output in the state economy;
- Provided \$22 million of disposable income; and,
- Generated \$13.86 of economic impact for every \$1 spent on legal aid through FACLA funding.

The driving factor of this impact is the large recurring amount of Federal transfers (e.g. monthly Social Security/SSI payments) generated by legal aid cases.

Table E1 shows a summary of the estimated economic impact from FACLA funded legal aid in Florida.

Table E1: Summary of economic impact of 2008-09 FACLA legal aid programs

	FACLA 2008-09 program impact
Number of (non-legal services) Jobs Created	170 jobs
Gross State Product (GSP)	\$13 million
Disposable Income	\$22 million
Stimulus Effect (\$X generated per \$1 spent)	\$13.86

II. Introduction

Overview of Legal Aid in Florida

Civil legal aid programs in Florida provide a broad array of legal services to Floridians who otherwise would not have legal representation. Floridians earning up to 150% of the poverty guideline are eligible to receive services from legal aid programs in Florida. Legal aid services are offered through a network of 31 local legal aid programs, grouped into 7 regions, serving all 67 counties. Most of the 98,438 cases involve only advice or brief service. Less than 0.25% of all Florida's court cases are filed by legal aid lawyers. Thus, FACLA-funded legal aid is unlikely to put much pressure on the court system. In contrast, they provide legal consultation that can avoid further conflict.

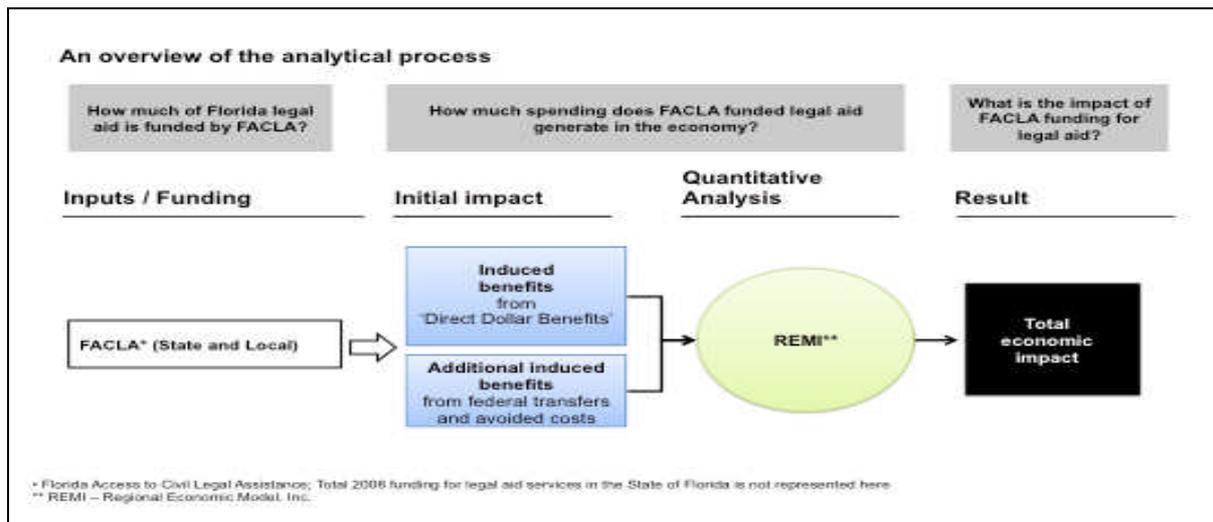
Overview of methodology

To estimate the economic impact of the \$905,415² of FACLA funding, we computed the new expenditure streams that result from the total 3,934 FACLA cases. Once legal services are provided some transfers from Federal sources are created for individual clients in Florida. This induced income leads to a new expenditure stream. In addition, the provision of services might result in changes in the state and local expenditures as some legal aid services can keep people from facing consequences like domestic violence. These changes in expenditures are also included in our estimates.³ The following figure illustrates the flow of the analytical process:

FIGURE II-A: Overview of the analytical process

² Due to reduced available state revenue, payment of the State of Florida's appropriation of \$1,000,000 for FACLA services for the fiscal year 2008-2009 (July 1, 2008 – June 30, 2009) was decreased to \$905,415.

³ Technically the expenditure streams come in two types. In addition to the induced impact, focused on in this analysis, there is also an impact of the direct payments to the legal aid industry for providing the service. The economic impact of the direct payments would be expected to be small as each state dollar has a corresponding tax effect. The output effect stays the same, if we include the direct payments, with disposable income falling by 1 million and the job creation increasing by 10 workers. Thus the effect is almost negligible and is not included in this analysis.



In addition to the direct funding, Federal transfers to low income individuals in Florida also result in a substantial impact. This flow becomes even more important when one takes into account the long life of some of these flows (e.g., receiving social security payments for 10 years). Only economic benefits that lead to direct transfers from Federal or out-of-state individuals are counted.

Case Category	Number of Cases	Percent of Caseload
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The final stage of the analysis involves estimating the

long-run effect that the induced and additional induced benefit spending streams have on Florida's economy. Any new expenditure stream will result in additional expenditure flows as other industries are affected by the new demand. This interconnection between industries is reflected in input-output models. We use the REMI model, a well-respected dynamic input-output model, to estimate the total long run effect of the expenditures (See Appendix).

Overview of FACLA cases examined

The 2008-09 FACLA caseload totaled 3,934 according to the Florida Bar Foundation. Cases were categorized in the following manner: Family Law, Entitlement to Federal Benefits (which includes securing Supplemental Security Income (SSI) and VA benefits), Domestic Violence, Juvenile Law, and Other (which includes Elder Abuse, Child Abuse, and Immigration).

FIGURE II-B: Caseload by Type

Family Law	1,496	38%
Entitlement To Fed. Benefits	1,257	32%
Other*	904	23%
Domestic Violence	272	7%
Juvenile Law	5	0.1%

*Other is defined as Elder abuse, Child Abuse and Immigration

III. The Economic Impact of 2008 Legal Aid Services in Florida

Providing legal aid to the poor creates both social benefits and economic outcomes. Social benefits include impacts that are critical to society and often difficult to quantify, such as the value of preserving individual rights or keeping a family together. For the context of this analysis, we make a distinction between two terms: *economic impact* and *economic benefit*.

Economic impact is the economic activity generated by expenditures on goods and services in the local economy; *economic benefit* is a broader definition that includes all the benefits to Florida whether or not these involve actual expenditures. Legal aid programs do perform services that lead to non-monetary value (e.g., reducing the exposure of children to domestic violence); however, those benefits are not discussed here unless they lead to an increase or decrease in expenditures. Only the *economic impact* of quantifiable expenditures is analyzed and thus our estimate is conservative because we do not quantify or include economic benefits.

Induced Economic Impact: Direct Dollar Benefits

When legal aid programs operate, they help secure a range of direct dollar benefits for clients. This stream of expenditures, induced by program operations, creates another level of impact, the 'induced economic impact' of legal aid services.

Direct dollar benefits cover a broad range of benefit types (one-time back awards or recurring monthly flows) and benefit formats (from direct cash payments by non-standardized measurements of property value). This analysis takes a conservative approach to including only benefits in cash payments and excludes all valuation-based reported benefits (e.g., estimated value of real estate or personal property preserved through legal aid services).

Benefits are categorized based on their source of funds to distinguish between “new” flows entering the region and “existing” flows that are effectively transfers within the region (e.g., state funding that would be spent on other programs if it were not spent on benefits induced by legal aid). Benefits included in the impact analysis are only new flows into the region, primarily from Federal transfers to individuals.

Direct dollar benefits included are the Federal funds brought into the state from FACLA cases. These are payments from Social Security, both *\$1.62 million in lump sum as well as \$1.07 million monthly recurring payments*. The establishment of benefits analyzed through legal aid service occurs in the FY 2008-09 time period, yet has a long running multi-year impact.

Additional Induced Economic Impact: Avoided costs

In addition to federal transfers generated by Social Security/SSI, there are other federal transfers and cost savings to the state that will happen through the provision of legal aid services.

Avoided costs

Legal aid also helps secure benefits in the form of avoided costs. Cases dealing with domestic violence often secure outcomes that help prevent costs to the state in areas such as usage of emergency medical services or emergency shelters.

Domestic Violence - \$137,940

Of the 272 domestic violence cases funded by FACLA, we assume a 69% success rate of legal aid assisting victims obtain restraining orders (a proxy for securing positive outcomes). This results in 188 cases with positive outcomes due to legal aid service. However, research shows that in 55% of total domestic violence cases, clients would have secured restraining orders on their own without legal aid assistance, an estimated 150 cases. We subtract this amount from the total 188 successful legal aid cases to get 38, the estimated true amount of cases relying on legal aid for a positive outcome. We applied an average savings of \$3,630 per family related to domestic abuse related costs (e.g., emergency medical care, emergency shelter, counseling, education).⁴

State funds saved due to obtaining federal funds - \$15,505

Other avoided costs comprised primarily of Temporary Assistance for Needy Families (TANF) produced cost savings to the State of Florida as FACLA funding was used to enable clients to obtain Federal funding (Social Security/SSI or VA benefits) and to obtain alimony/child support to replace the need for TANF.⁵

⁴ Caseload data from The Florida Bar Foundation; legal aid success rate, non-legal aid case success rate from State Bar Association of Wisconsin, Dec. 2006; average savings per family figure from State Bar Association of Wisconsin, Dec. 2006 and Missouri Legal Aid Network, Fall 2009; figures are updated for 2008 dollars

⁵ The data was provided by The Florida Bar Foundation.

Discussion of the Analysis

The REMI model

The economic impact of the induced revenues and cost savings to the state are computed through the use of the Regional Economic Models, Inc. (REMI). The induced revenues have further economic impacts on Florida from the “re-spending” of dollar benefits to individuals that are clients of FACLA – i.e., FACLA clients are made eligible for Federal revenue flows that they spend on a variety of different goods and services such as groceries, clothes, and financial services. In addition, we also estimate some cost savings to the state government and estimate the effect these savings to the State of Florida has on the Florida Economy.

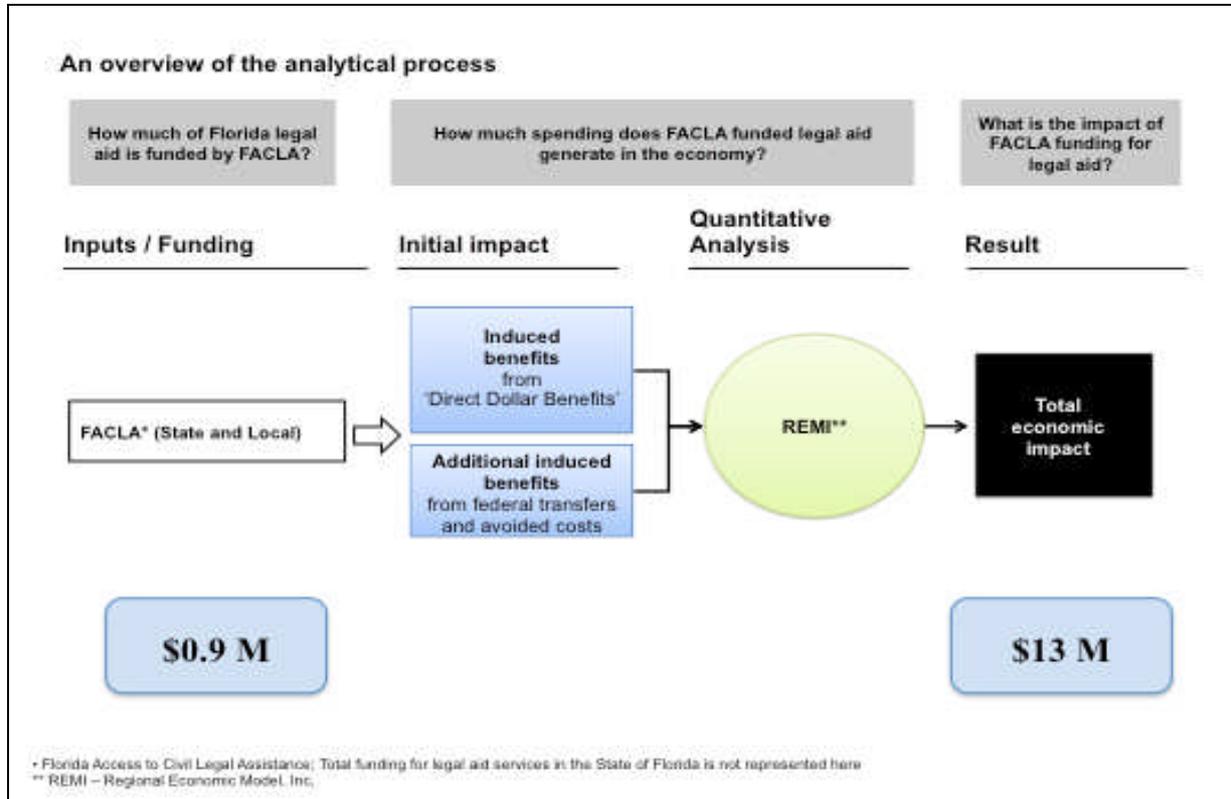
Using REMI we can estimate the effect that these changes to expenditures have on all industries in Florida. For example, a person receiving a back award of social security payment might purchase clothes from a store. The store will order more clothes and textile makers will see added demand in the future. Note that this might take time for all the linkages to develop fully. Therefore, REMI estimates a dynamic relationship between current expenditures in a category and demand for products in other industries. We estimate the aggregated effect over a ten-year period to fully allow the dynamics to work themselves through the Florida economy. Note that the dynamic nature of REMI is different from the static multipliers used in most previous studies.

The REMI model calculates a long-run spending multiplier that translates the changes to the three tiers of spending into the change in total jobs and output in Florida. (For more details of the REMI model see appendix).

In addition, we use the REMI model to estimate the increase in new jobs created by the induced spending created by the legal aid services . The creation of new jobs works in a similar way to the expenditure multiplier described above. For example, a person receiving payment of a back award of social security benefits might purchase food from a store. The store will order more supplies, thereby increasing the demand for many products. Thus, new job opportunities are created in industries that benefit from the additional demand for products created by the induced expenditures resulting from the activities of legal aid. Note that these job opportunities are in other industries than legal aid. The increase in demand comes from Federal transfers to individuals that will purchase a variety of products in Florida. These purchases create new jobs. We estimate the aggregated effect over a ten-year period to fully allow the dynamics to work themselves through the Florida economy.

Summary Results

The following chart provides an overview of the process of the estimation of the economic impact of the FACLA legal aid provision, together with the estimates of the economic impact.



The total FACLA funding for legal aid in 2008-2009 was \$0.9 million. From this funding the total output effect for the State of Florida was \$13 million. The driving factor of this impact is the large recurring amount of Federal transfers (i.e., monthly SSI payments) generated by legal aid cases funded by FACLA.

Note that the economic impact is estimated in a conservative manner. We only estimate actual expenditure streams that are created due to the involvement of FACLA funded legal aid, and only those expenditures that are new to the State of Florida. Many other economic impact studies overstate the impact for three different reasons:

- Some studies blur the distinction between the economic benefits and economic impact. Such studies would overstate the total economic impact by counting economic benefits that are not actual expenditures (although they may benefit constituents). We are careful to only count actual expenditures.

- The multipliers in many studies are overstated and created in *ad hoc* manner. Many studies use broadly based multipliers that might have little to do with legal aid services. Some other studies have multipliers that are up to 60% larger than the one estimated by us. We use the REMI model that produces a very modest and accurate long-run multiplier.
- Some other studies count flows that already existed in the State, such as child support payments between parents residing in the same state. We avoid this by counting only flows that are new to the State of Florida.

The following table shows a summary of the economic impact of the FACLA legal aid programs in Florida.

Table III-A: Summary of economic impact of 2008-09 FACLA legal aid programs

	FACLA 2008-09 program impact
Number of (non-legal services) Jobs Created	170 jobs
Gross State Product (GSP)	\$13 million
Disposable Income	\$22 million
Stimulus Effect (\$X generated per \$1 spent)	\$13.86

IV. Conclusion

Florida TaxWatch calculated the economic impact that the provision of FACLA funded civil legal services has on the Florida economy.

The changes to Florida expenditures come in two parts. Once services are provided, some transfers from Federal sources are created for individual clients in Florida. This induced income leads to a new expenditure stream. The final part of the changes to expenditures is the potential cost savings for the state and local government resulting in a reduced government budget.

Once the total changes to the expenditures are calculated, the long run effect of the changes can be estimated for all the industries in the Florida economy. Any new expenditure stream will result in additional expenditure flows as other industries are affected by the new demand. This interconnection between industries is reflected in input-output models. We use the REMI model, a well-respected dynamic input-output model, to estimate the total effect of the expenditures.

The total economic impact of FACLA funded legal aid is significant. In 2008-2009, FACLA funded legal aid programs in Florida:

- Created 170 jobs;
- Produced \$13 million of output in the state economy;
- Provided \$22 million of disposable income; and,
- Generated \$13.86 of economic impact for every \$1 in FACLA funding spent on legal aid.

The driving factor of this impact is the large recurring amount of Federal transfers (i.e., monthly SSI payments) generated by legal aid cases covered by FACLA.

V. Appendices

Table A1: Federal Funds brought to the State

Source: Florida Bar Foundation

**Florida Access to Civil Legal Assistance Grant Program
Statistical Activity Report**

**STATE FUNDS SAVED
FEDERAL FUNDS BROUGHT INTO THE STATE
OTHER FISCAL BENEFITS**

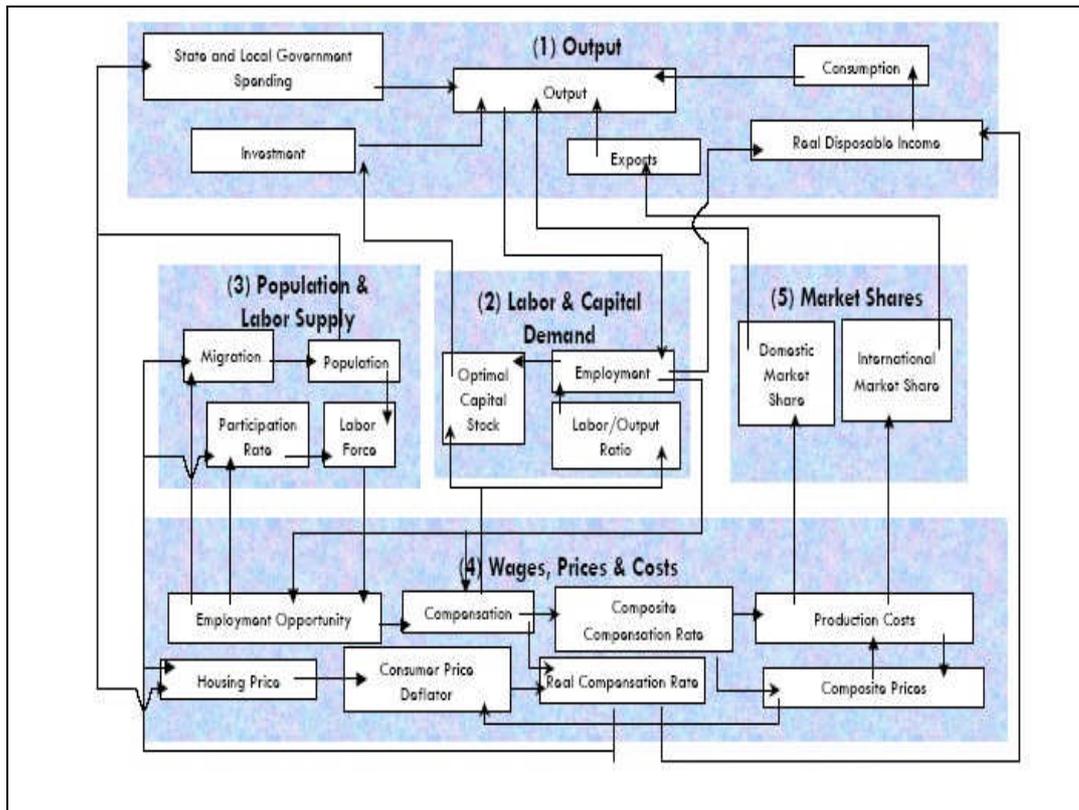
REPORTING PERIOD: From: To:

State Funds Saved	
TYPE/DESCRIPTION	Amount
TANF (due to obtaining SSI Social Security or VA Benefits)	\$5,078
TANF (due to obtaining alimony/child support)	\$7,272
Costs attributable to Department of Revenue to obtain a child support court order	\$3,155
Other (provide short description and how calculated) *	\$0
TOTAL:	\$15,505

Federal Funds Brought Into The State	
TYPE/DESCRIPTION	Amount
SSI/SS Lump Sum Benefits	\$1,616,429
SSI/SS Annualized Monthly Benefits	\$1,070,067
TOTAL:	\$2,686,496

Additional Information about the REMI Model

Regional Economic Models, Inc. of Amherst, Massachusetts developed the REMI model in 1980⁶. It specifies commodity-trade and personal-income flows between regions creating long-term portraits of regional economic growth. The model consists of five basic blocks as seen in the chart below: (1) output, (2) labor and capital demands, (3) population and labor supply, (4) wages, prices, and profits, and (5) market shares.



So

source: www.remi.com

Production is categorized into 49 non-farm, private industries (primarily at the two-digit S.I.C. level), three government sectors, and the farm sector. Economic relationships are given by an industry-based input-output component combined with an econometric component. The econometric specifications are derived from economic theories that are generally neoclassical in nature. The model is dynamic, enabling it to be used both as an impact model and a tool for forecasting.

⁶ For more information about REMI, please visit: www.remi.com/

The REMI model, as Bolton (1985) states in a review of econometric models, “is a world apart in complexity, reliance on inter-industry linkages, and modeling philosophy” from other econometric models. It may be seen as an eclectic model that links an input-output model to an econometric model. In this way, if econometric responses are suppressed, the model collapses to an input-output model.

REMI uses three sources of employment and wage and salary data: (1) Bureau of Economic Analysis (BEA) employment, wage and personal income series; (2) ES-202 establishment employment and wage and salary data; and (3) County Business Patterns (CBP) data published by the U.S Census Bureau. The BEA data are annual averages reported at the two-digit level for states and one-digit for counties. The ES-202 data, which are the foundation for BEA data, are collected monthly in conjunction with the unemployment insurance program at the two-digit level for counties and states. CBP data are collected in conjunction with Social Security programming in March of each year. Output measures are based on regional employment data, the BEA Gross State Product series, and national output-to-employment ratios.

REMI begins by applying the national output-to-employee ratio to employment by industry. This application is adjusted by regional differences in labor intensity and total factor productivity. Regional differences are given by industry production function and unit factor costs. Total factor productivity calculations depend on industry value added in production reported in real U.S. dollars by BEA and on adjustments by REMI to the BEA numbers.

REMI is a widely used, dynamic, integrated input-output econometric model. The model’s structure incorporates inter-industry transactions and final demand feedbacks. REMI is used extensively to measure proposed legislative and other program and policy economic impacts across the private and public sectors. The Florida Legislative Office of Economic & Demographic Research, the state Agency for Workforce Innovation, and other state and local government agencies use REMI extensively to measure economic impacts of proposed legislative and policy proposals. In addition, REMI is the chosen tool to measure these impacts by a number of universities and private research groups that evaluate economic impacts across the state and nation. REMI has been widely used to model the economic impacts of property and sales tax analyses.⁷

⁷ See tax-specific publications on the REMI website: www.remi.com

The REMI model used for this analysis was specifically developed for the state of Florida (using the latest 2004 data), and includes 169 sectors. In addition to accounting for economic variables (production, spending, employment) REMI also accounts for labor force, population (migration, births, deaths) and fiscal impacts. REMI's principal advantage is that it is a dynamic input-output econometric model, and can be used to forecast both direct and indirect economic effects over multiple-year time frames.

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