

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

Florida Tax Watch

February 2010

**Contents**

I. Executive Summary..... 3

II. Introduction ..... 6

III. The Economic Impact of 2008 Legal Aid Services in Florida ..... 8

    Primary Economic Impact: Funding..... 8

    Induced Economic Impact: Direct Dollar Benefits..... 9

    Additional Induced Dollar Benefits ..... 11

    Discussion of the Analysis..... 13

    Summary Results ..... 14

IV. Alternative method of estimating economic impact..... 16

V. The Economic Impact of Incremental Legal Aid in Florida..... 18

VI. Conclusion ..... 22

VII. Appendices ..... 24

    Table III-A: Funding categories ..... 25

    Table III-B: Direct Dollar Benefit – Included Back Awards ..... 26

    Table III-B: Direct Dollar Benefit – Excluded Back Awards ..... 27

    Table III-C: Direct Dollar Benefit – Included Monthly Awards..... 28

    Table III-D: Direct Dollar Benefit – Excluded Monthly Awards ..... 29

    Additional Information about the REMI Model..... 30

References..... 32

## **I. Executive Summary**

Civil legal aid programs in Florida provide a broad array of legal services to Floridians who cannot afford to pay for legal representation. Florida TaxWatch calculated the economic impact that the provision of civil legal services has on the Florida economy. In addition to calculating the effect of the existing program in 2008, TaxWatch also estimated the effect of expanding the program to include the cases that were turned away for lack of resources.

Calculating the total economic impact of a program involves estimating the total new expenditure streams that result from the program's activities, then analyzing both short-and long-term effects of this spending. In this case, the expenditure streams come in three parts that generate three different layers of short-term impact:

- *Primary impact* – \$94.6 million in total funding, of which \$52.5 million is a cost to Florida. This first stream involves direct payments to legal aid programs for providing the services and is taken in this analysis as funding to the overall legal aid system.
- *Induced impact* – \$8.1 million in back awards to legal aid clients; \$0.9 million in recurring monthly client benefits. Once services are provided, some transfers from Federal sources are created for individual clients in Florida. This induced income leads to the second type of new expenditure stream.
- *Additional induced spending impact* – \$3.08 million in Medicare and Medicaid transfers and \$4.24 million in avoided costs. In addition, the provision of services may result in changes in the state and local expenditures as some legal aid services can, for example, prevent people from home eviction or from facing domestic violence. These changes in expenditures are also included in our estimates.

The final stage of the analysis involves estimating the long run effect that the primary, induced and additional induced spending streams have on 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 long run effect of the expenditures.

### ***Results***

The total economic impact of civil legal aid is significant. In 2008, legal aid programs in Florida helped to:

- Create over 3,300 jobs
- Produce over \$250 million of output in the state economy
- Provide \$297 million of disposable income
- Generate \$4.78 of economic impact for every \$1 spent on legal aid by state and local entities

The driving factor of this impact is a large amount of funding by Federal authorities and the large induced federal flows generated by legal aid work. Slightly over 30% of those 3,361 jobs created are connected with the delivery of legal aid, whereas the remaining jobs are spread out in numerous other industries in Florida. Table I-A shows details of the economic impact of the legal aid program in Florida.

**Table E1: Summary results of economic impact of legal aid in 2008**

	<b>Primary and Induced Impact</b>	<b>With Additional Induced Spending</b>		<b>Total Impact</b>
		Adding Federal transfers*	Adding costs savings to State	
# Jobs created	2,820	3,395	3,361	<b>3,361</b>
GSP, Gross State Product (\$MM)	217	253	251	<b>251</b>
Disposable Income (\$MM)	263	294	297	<b>297</b>
Stimulus Effect (\$X generated per \$1 spent)	\$4.12	\$4.82	\$4.78	<b>\$4.78</b>

\*i.e., Medicare and Medicaid payments

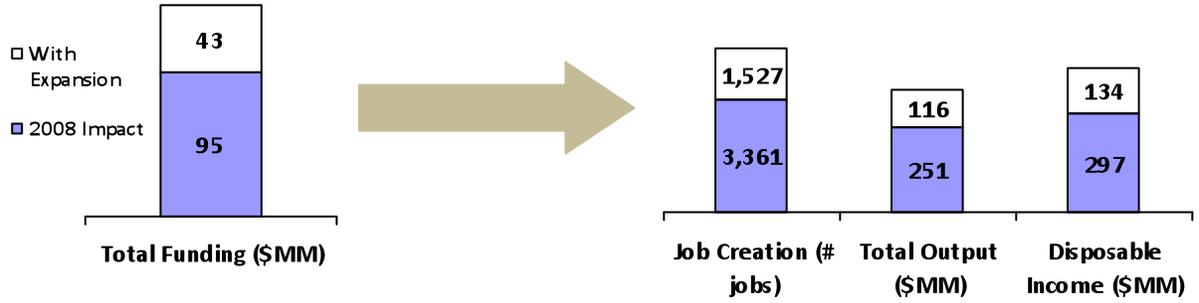
If the legal aid program had the resources to expand services in 2008 then the economic impact would have been much greater. The effect of expanding the program, to provide services to the people that have been turned away, would lead to an estimated increase in output ranging from an additional \$76-\$116 million, depending on how the expansion is funded. Thus, the Florida economy could have had substantially higher output and between 890-1527 additional created jobs if legal aid had been expanded to meet the full demand in 2008.

**Table E2: Economic impact of legal aid expansion, based on scenario funding**

<b>Description</b>	<b>2008 Total Impact</b>	<b>Scenario 1: State funding remains at 26%</b>	<b>Scenario 2: State funds entire increase</b>	<b>Scenario 3: State funds partial increase</b>
Florida based funding* (\$MM)	53	76	95	86
# Jobs created	3,361	4,888	4,251	4,581
GSP, Gross State Product (\$MM)	251	367	327	349
Disposable Income (\$MM)	297	431	364	398
Stimulus Effect (\$X generated per \$1 spent)	\$4.78	\$4.85	\$3.46	\$4.10

\*Florida based funding = State & Local and Florida Bar Foundation (FBF) funding portions

**Chart E1: Summary of overall impact for 2008 legal aid and incremental expansion**



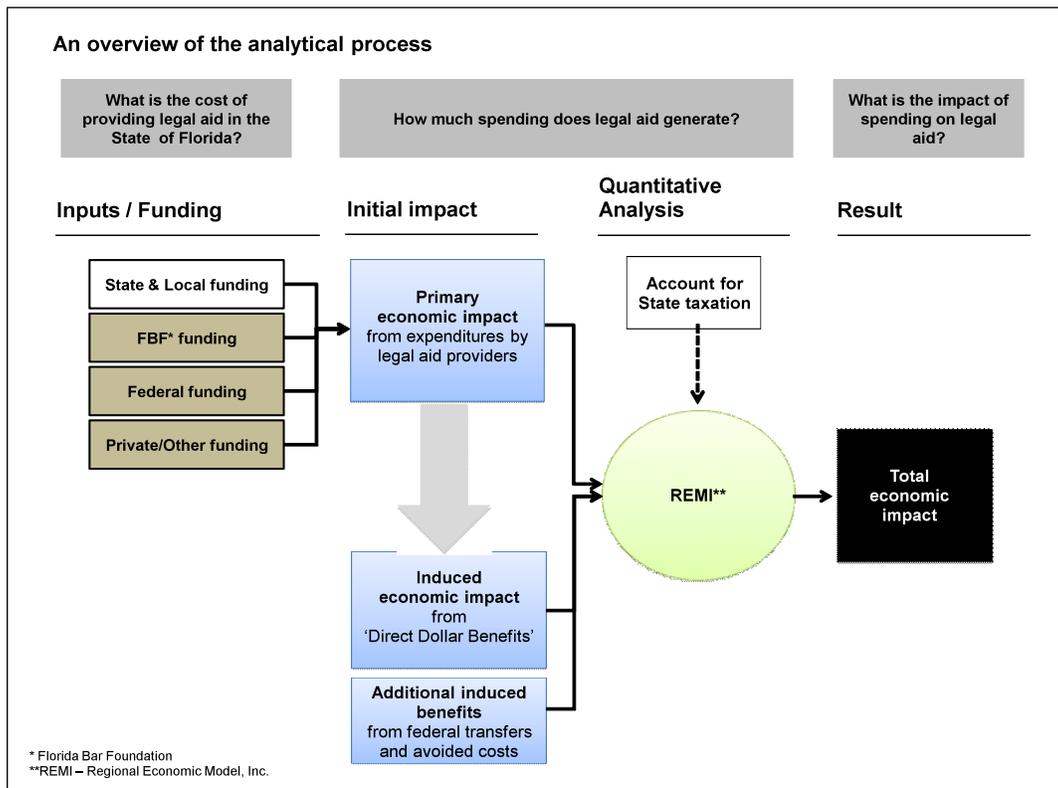
## II. Introduction

### *Overview of Legal Aid in Florida*

Civil legal aid programs in Florida provide a broad array of legal services to Floridians who cannot afford to pay for legal representation. Floridians earning up to 125% of the federal poverty guideline are eligible to receive services from the legal aid programs in Florida. Legal Aid services are offered by a network of 31 local non-profit providers, operating in 7 regions, serving all 67 counties. Most of the 98,438 legal aid cases involve only advice or brief service. Less than 9% of the legal aid cases actually go to court. Thus, 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 98,438 cases in the dataset we computed the new expenditure streams that result from these cases. The expenditure streams come in two parts. The first part involves the direct payments to legal aid programs for providing the service. Once services are provided some transfers from Federal sources are created for individual clients in Florida. This induced income leads to the second type of new expenditure stream. In addition, the provision of services might result in changes in the state and local expenditures as some types of legal services can keep people from eviction or from facing domestic violence. These changes in expenditures are also included in our estimates. The following figure illustrates the flow of the estimation:



Note in the above flowchart of the process, that all of the funding becomes inputs into the legal aid community, whereas only part of the inputs lead to additional Florida taxation. The existence of Federal funding of legal aid programs results in a tangible positive economic impact on the Florida economy. Note also that the FBF funding is considered a new flow of funds that does not have a corresponding tax as it is generated mainly by Interest on Trust Accounts (IOTA) funds, along with charitable contributions from members of Florida's legal profession and others.

In addition to the direct funding, Federal transfers to low income individuals in the State of 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. Note also that non-expenditure services such as pro bono work is not accounted for in the above flow chart. Furthermore, only economic benefits that lead to direct transfers from Federal or out-of-state individuals are counted.

The final stage of the analysis involves estimating the long run effect that the primary, induced and additional induced spending streams have on 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 long run effect of the expenditures.

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

Providing legal services to the poor creates both social benefits and economic outcomes. Social benefits include benefits 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 defined here as 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., protection of children and the elderly from abuse), however those outcomes are not discussed here.

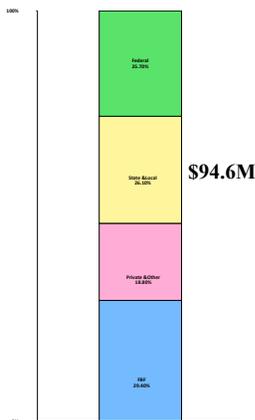
In the following analysis, only *economic impact* is quantitatively analyzed and thus our estimate is conservative because we do not quantify or include economic benefits which may translate into significant additional value for Florida.

#### Primary Economic Impact: Funding

The funding needed to operate legal aid programs creates a 'primary economic impact.' This primary impact is the spending that results from legal aid providers acting as employers (e.g. spending cash on operating expenses like salaries/wages, rent, utilities, and supplies in the state economy).

Funding of legal aid in Florida comes from a portfolio of sources, which we have categorized for this analysis as Federal, State & Local, Private & Other, and The Florida Bar Foundation (FBF) as depicted in Chart III-A.

CHART III-A: 2008 Funding Sources for Legal Aid services in Florida



Source	Amount	Funding streams
Total	\$94.6M	
Federal	\$24.4M	- Legal Services Corporation - Title III Admin on Aging - Other Federal Programs
State & Local	\$24.7M	- County grants in lieu of filing fees - State, City and County funds - FACLA grants - Court awarded attorneys' fees
Private & Other	\$17.7M	- Non-FBF foundation donations (incl. carryovers) - Cash in lieu of pro bono - Other items: Income from donations, United Way, Interest income, Bar Associations, Law Schools, Churches
FBF	\$27.8M	- General support - Other grants

*Federal funding* is treated as “new” funding that comes into the state from Federal sources of income. Over 70% of the federal funding comes primarily in the form of funds from the Legal Services Corporation (with the balance coming from other federal programs like Title III and Title XX).

*State and Local funding* includes County grants, State funded FACLA grants, Court-awarded attorneys' fees and funds from other State, City and County funds. Almost 90% of State and local funding is through County grants and other State, City and County funds<sup>1</sup>. Given the differences in tax treatment, the State and local funding will have a different economic impact multiplier from Federal funding.

*Private and Other funding* measured here consists primarily of funding from contributions by individuals, law firms and corporations, foundation grants other than FBF and cash donations in lieu of pro bono service by private attorneys. The non-FBF funding includes carryover cash amounts disbursed in 2008, but secured in the previous year. In this analysis, the private funding is treated as new flows of funding into the State of Florida.<sup>2</sup>

*FBF funding* is the largest funding stream, sourced primarily from Interest on Trust Accounts (IOTA).

The cost of legal aid as analyzed here is based on actual expenditures and does not include the value of pro bono hours, which is not an actual expenditure. Similarly, volunteerism in other professions is not included in other economic indicators (e.g., GDP). However, we acknowledge there is a realized economic benefit from pro bono activity, and a study that measures economic benefits of legal aid might include such hours.

#### *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 to non-standardized

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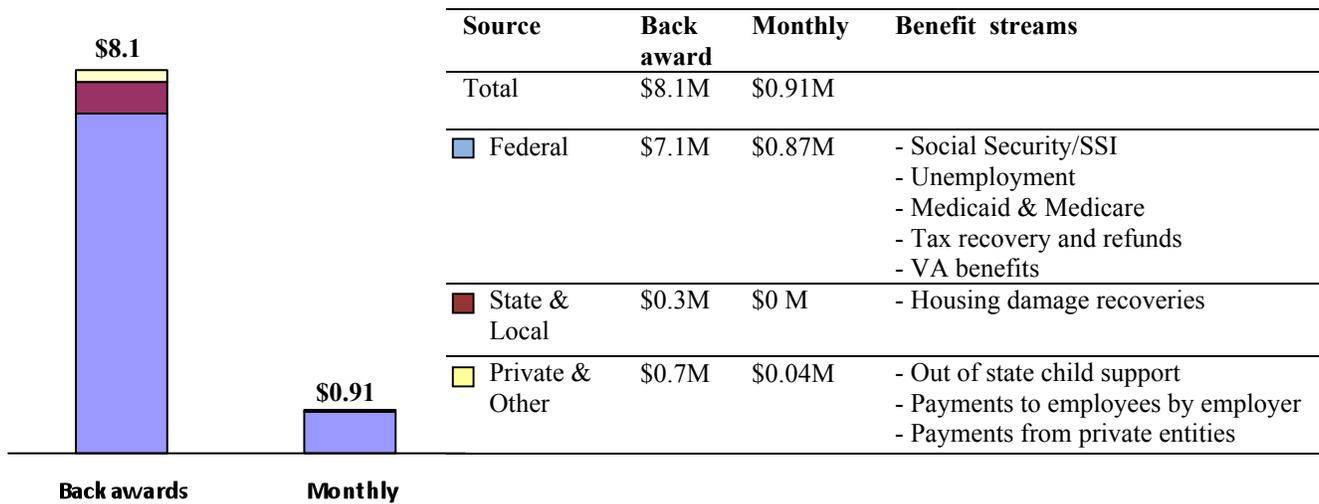
<sup>1</sup> The State, City and Local grants include a negligible amount (less than 1%) of federally funded programs which are disbursed by the State (e.g., VAWA, VOCA for the top 8 legal services providers).

<sup>2</sup> For this analysis, we assume private funders do not have substitutes for donations made to Florida legal aid programs.

measurements of property value). For this analysis we have taken a conservative approach to include only benefits in cash payments and exclude all valuation-based reported benefits (e.g., estimated value of real estate or personal property preserved through legal aid service).

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). Not all benefits have been included in the impact analysis - criteria for including a benefit flow in the economic impact analysis are that it must be a cash payment to an individual or entity and come from outside the state.

**CHART III-B: 2008 Direct dollar benefits, resulting from legal aid cases in Florida**



*Federal benefits* included are payments from Social Security/SSI, Unemployment, Veterans benefits, Medicare, federal portions of Medicaid<sup>3</sup>, and tax-related payments. Many of these monthly payments continue over a long period. For example, Social Security payments are assumed to continue over a 10-year period. Thus, the establishment of the benefit in 2008 has an impact many years in the future.

*State & Local benefits* included here consists of one item that was assumed to be an amount that was not budgeted for in an annual state or local budgets.

*Private & Other benefits* are primarily payments between individuals, with the paying person residing outside of the state. For example, most child support payments deal with transfers between Florida residents. This does not generate any new spending flows to Florida. However, an estimated 5% of the child support payments originate outside of Florida and end up being paid to a Florida resident<sup>4</sup>. Those payments would be counted as new spending to Florida. In a few cases, we have also included payments by state-based employers whose cash flows are heavily dependent on external economies (e.g., commercial farmers/growers)

There are a number of items that we have excluded from the analysis (detailed in Tables III-B and III-D), mainly because they represent valuations of property and payments and it could not be confirmed that standard methods were used (across legal aid agencies) to calculate the values.

#### *Additional Induced Dollar Benefits*

An additional set of dollar benefits are induced by legal aid services. These are not consistently valued by provider agencies and often do not account for the time period over which benefits are realized.

#### *Federal Transfers: Medicaid & Medicare*

By helping clients obtain or preserve eligibility for Medicaid and Medicare, legal aid services are responsible for bringing cash benefit streams into the State from federal program budgets. We have conservatively estimated the streams of payments as follows:

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<sup>3</sup> Based on 54% funding level for State of Florida, derived from Medicaid spending data on [www.statehealthfacts.org](http://www.statehealthfacts.org)

<sup>4</sup> Data from Florida legal aid expert

*Medicaid: \$1.4 million for 5 years*

Of the 1,312 Medicaid cases handled by legal aid, we assume that 40% deal with eligibility and have a 75% success rate. This results in 394 cases or individuals obtaining or preserving Medicaid eligibility due to legal aid.<sup>5</sup> We applied an average spending of \$3,568 per person based on only the Federal portion of Medicaid expenditures in the State of Florida.<sup>6</sup>

*Medicare: \$1.68 million for 10 years*

Of the 235 Medicare cases, we assume that 90% deal with eligibility and have a 75% success rate. This results in 159 cases or individuals obtaining or preserving Medicare eligibility due to legal aid.<sup>7</sup> We applied an average spending of \$10,596 per person based on Medicare expenditures in the State of Florida.<sup>8</sup>

*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 - \$3.04 million*

Of the 5,978 domestic violence cases, we assume a 69% success rate of legal aid securing restraining orders (a proxy for securing positive outcomes). This results in 4,125 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

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<sup>5</sup> Caseload data from The Florida Bar Foundation; Eligibility percentage and success rate are conservative estimates per discussions with legal aid experts; 394 cases = 1,312 \* 40% \* 75%; 5 year benefit horizon is per legal aid experts and consistent with multiple other state economic impact analysis reports that appear in Appendix on References.

<sup>6</sup> For 2008, State of Florida: \$3,568 = (\$8.1 billion federal portion of Medicaid spending) / (2.27 million total Medicaid enrollment); Medicaid spending data from [www.statehealthfacts.org](http://www.statehealthfacts.org); enrollment figure is average of 2007-08 and 2008-09 data from The Florida Legislature's Office of Economic and Demographic Research, "Basic Medicaid Caseloads, Historical, and Forecasted. Available at <http://edr.state.fl.us/conferences/medicaid/medicaid.htm>.

<sup>7</sup> Caseload data from The Florida Bar Foundation; Eligibility percentage and success rate are conservative estimates per discussions with legal aid experts; 159 cases = 235 \* 90% \* 75%; 10 year benefit horizon is per legal aid experts and consistent with other state economic impact analysis reports that appear in Appendix on References.

<sup>8</sup> For 2008, State of Florida: \$10,596 = ((0.046+1)<sup>5</sup>)\*8462, based on applying 4.6% compound annual growth rate to a \$8,462 (2004 per enrollee Medicare spending by residence).

3,288 cases. We subtract this amount from the total 4,125 successful legal aid cases to get 837, the estimated true number 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).<sup>9</sup>

#### *Homelessness Prevention - \$1.2 million*

Of the 4,554 cases dealing with housing or homelessness prevention, we assume that 66% deal with foreclosure or eviction and 25% of these cases feasibly result in homelessness. This results in 751 cases resulting in a prevention of emergency shelter usage. We applied an average savings of \$1,601 per case related to emergency shelter costs.<sup>10</sup>

#### *Court Cases - negligible costs*

A total of 8,644 legal aid cases end up in court decisions. This is less than 0.25% of the total 3.5 million cases that go through the State of Florida's court system each year.<sup>11</sup> Thus, the additional burden on the court system because of legal aid is negligible. Most of the court system's costs would be considered fixed costs, so we have not added additional incremental costs due to legal aid.

### *Discussion of the Analysis*

#### *The REMI model*

Florida TaxWatch (TaxWatch) used the Regional Economic Models, Inc. (REMI) to capture the primary and induced economic impacts resulting from activity generated by legal aid operations. Primary impact includes purchases of inputs made by legal aid programs that are supplying legal services to financially eligible residents of Florida. Induced impact results from the "re-spending" of direct dollar benefits – that is, legal aid clients receive cash to 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.

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<sup>9</sup> 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

<sup>10</sup> Caseload data from The Florida Bar Foundation; Foreclosure, homelessness outcome percentage and 100% success rate are conservative estimates per discussions with legal aid experts; Emergency shelter cost savings estimate from Lindblom 1991; updated for 2008 dollars.

<sup>11</sup> Legal aid caseload data from The Florida Bar Foundation and total court caseload from "Long Range Strategic Plan for Florida Judicial Branch, 2009-2015" available at [http://www.flcourts.org/gen\\_public/stratplan/2009LongRangePlanMain.shtml](http://www.flcourts.org/gen_public/stratplan/2009LongRangePlanMain.shtml)

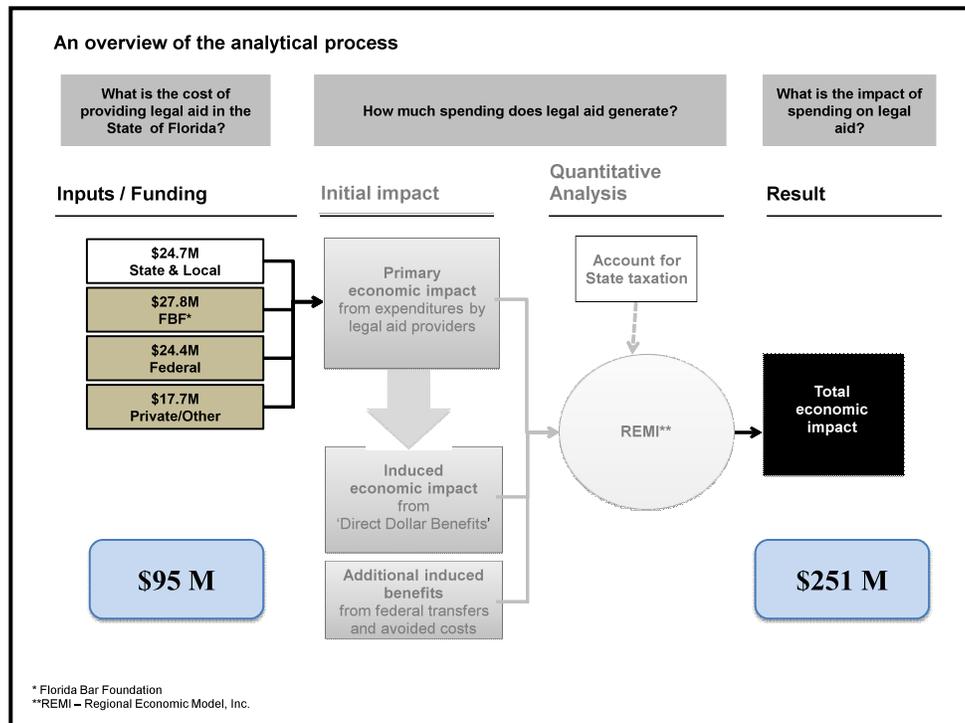
Using REMI we can estimate the effect that these three tiers of changes to expenditures have on all industries in Florida. For example, a person receiving payment of a back award of social security benefits might purchase food from a store. The store will order more supplies, creating additional expenditures in Florida. Note that it 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.

In addition, we use the REMI model to estimate the increase in new jobs created by the primary and induced spending created by legal aid. The creation of new jobs works in a similar way to the expenditure multiplier described above. Some jobs are created in the legal aid industry, but most jobs are created due to the effect on private businesses from the use of the induced spending. 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 and all those suppliers will see added demand. This increases the job opportunities in a variety of industries. Therefore new job opportunities are created in various industries as a consequence of the work done by the Legal aid program. We estimate the aggregated effect over a ten-year period to fully allow the dynamics to work themselves through the Florida economy.

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. The spending multiplier generated by this study is conservative. The spending multiplier for the baseline case, for example, is only 1.16, much lower than in other studies. This low multiplier is probably due to the low use of inputs by legal aid programs resulting in small linkages to other industries. For more details of the REMI model see appendix.

### *Summary Results*

The total economic impact of the civil legal aid in Florida is large. The impact on output ranges from \$216.6 – \$253.1 for the three cases we estimated. The baseline case creates \$216.6 million in added output and creates 2,820 jobs. The output created increases to \$250.8, when we add our estimates of the effect of Medicare & Medicaid and the avoided costs for the State of Florida. Note that when we subtract the cost savings for the State of Florida from having fewer shelters and domestic violence the output decreases. This is due to the fact that cost savings are coupled with tax reductions. When the government decreases in size there is a slight negative effect on output and jobs, but disposable income increases as taxes have been reduced.



The total funding for legal aid in 2008 was \$94.6 million. Federal, State of Florida and local government funds were \$49.10 million as direct payments. FBF funds were \$27.8 million. Estimating the total output effect all sources of legal services funding in Florida, for each \$1 in legal services funding in Florida, the State of Florida receives an economic impact of \$4.78 million. The reason for the large impact is due to the large amount of funding from the Federal Legal Services Corporation, and the large induced federal and out-of-state flows generated. Furthermore 3,361 jobs were created as a result of legal aid in Florida. Slightly over 30% of those jobs are connected with the delivery of legal aid, whereas the remaining jobs are spread out in numerous other industries in Florida. The following table shows the details of the economic impact of legal aid in Florida.

**Table III: Summary results of economic impact of 2008 legal aid programs**

	<b>With Additional Induced Spending</b>			
	<b>Primary and Induced Impact</b>	Adding Federal transfers*	Adding costs savings to State	<b>Total Impact</b>
# Jobs created	2,820	3,395	3,361	<b>3,361</b>
GSP, Gross State Product (\$MM)	217	253	251	<b>251</b>
Disposable Income (\$MM)	263	294	297	<b>297</b>
Stimulus Effect (\$X generated per \$1 spent)	\$4.12	\$4.82	\$4.78	<b>\$4.78</b>

\*i.e., Medicare and Medicaid payments

#### IV. Alternative method of estimating economic impact

In 2009 the Perryman Group performed a study of the impact of Texas legal aid services on economic activity. Their method takes a very different approach from past legal aid studies, and from the method we have used in the above calculation. In this section we discuss the Perryman Group approach and compute the impact of the legal aid services on Florida economic activity using a similar method to that used by the Perryman Group approach.

The economic impact calculates the changes to spending. Thus it calculates the cumulative effects of expenditures from market transactions. The values of goods and services exchanged are at market prices, even though such market prices might not always reflect the social value of a product or service. For example, a baseball player might be paid \$10 million for his services, although some might argue that the value to society is less. For products and service that do not have a market price the valuation is particularly difficult. The typical way of calculating the value of the products that are provided free of charge is to value the cost of the inputs. In most cases this means that essentially the value of the labor services are counted.

The Perryman group (2009) argues that valuing legal aid services at the cost of providing the service underestimates the true social value of the service. They estimate the social value by examining the income to cost ratio of similar legal services that are sold in the market place. Private legal services are sold in the market place and one can use this to estimate what the value should be of the legal aid services that are not sold in the market place. The method they use focuses on the dollar value of production by labor. Economists call this the value of the average product, sometimes also referred to as productivity of labor. Thus, they calculate the ratio of the gross output to the compensation to labor. Specifically they argue:

“Using the ratio of value-added for typical legal services (as derived from the model described below and data from the US Department of Commerce), it is possible to generate the estimates of the incremental benefits of purchased legal services within the market. Because a portion of this income reflects partner profits and other types of compensation that are not applicable to legal aid activity, this calculation must be adjusted to reflect **only** the segment of overall payments attributable to wages, salaries and benefits.” (Perryman Group, 2009, p. 19, our emphasis added)

Using gross output divided by total compensation from the Bureau of Economic Analysis we can compute how much each dollar spent on labor costs would be valued in the market place.<sup>12</sup> The result of such a calculation provides the amount of income that \$1 spent on labor would generate in the private legal market. The total income generated in the private legal market is about 2.54

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<sup>12</sup> Table 6.2D: Compensation of Employees by Industry, and GDP by industry from BEA.

times the total labor cost.<sup>13</sup> Applying this ratio to the total compensation to labor we arrive at \$168.02 million “social” value.

Note that the above estimate is merging the concept of Economic Impact and Economic Benefits to the State of Florida. The Perryman group calculated the “social” value rather than tracing the actual spending. Thus, the measure assumes that the effect on the Florida economy would be different from the actual spending flows. In fact the implicit assumption is that the recipients of legal aid value the services above the cost, and have budgeted to spend the equivalent of the “social” benefit. When they receive the service for free they spend the equivalent on other goods and services in Florida.

To estimate the economic impact to Florida we take the computed direct impact of \$168.02 and use the REMI model to compute the impact on jobs and spending for Florida.

The results show that the total long run impact on the Gross State Product (GSP) for the State of Florida is \$207.5 million with a total of 2,601 jobs created. This is similar to the baseline results in the previous section, but does not account for the induced transfers from the Federal Government. Thus, it reaches a similar conclusion, using a different methodology.

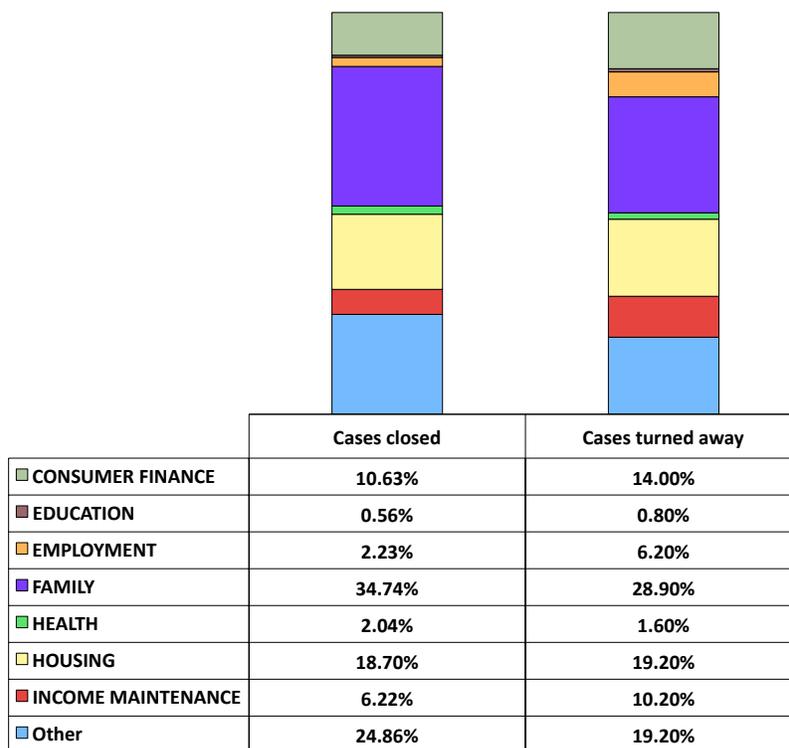
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<sup>13</sup> Using 2007 data, as 2008 is not reported yet by industry

## V. The Economic Impact of Incremental Legal Aid in Florida

While the operational reach of legal aid is extensive, it still was forced to turn away a large number of clients due to limitations of their resources. To size the unmet demand, we examined a representative sample from a Legal Services Corporation (LSC) survey from March 16-May 15, 2009. LSC surveyed the 7 Florida LSC grantee programs (which are the largest legal services programs in Florida), 6 of which responded. The responding group comprised 45% of total normal staff caseload activity of Florida legal aid programs, and is therefore considered to be representative of the whole population. Examining the types of cases turned away, one can see in Chart V-A that the distribution of the cases turned away is similar to that of the entire closed cases. Therefore, we can assume that the cases turned away would generate similar expenditure streams to the cases that we can observe.

**Chart V-A: Case type composition between survey data and actual data<sup>14</sup>**

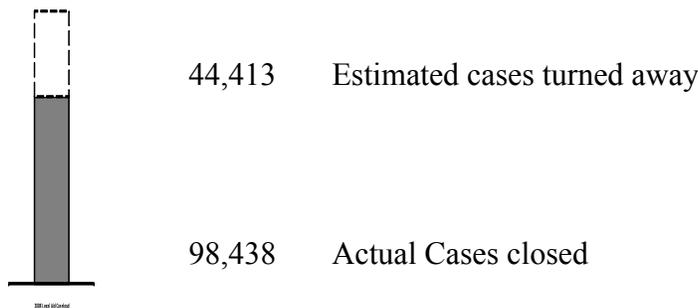


We estimate the total number of cases turned away by assuming that the surveyed programs would continue to turn away the same number of people each month as they did in March 16-

<sup>14</sup> Cases closed sourced from The Florida Bar Foundation, Resource for Great Programs; cases turned away from Legal Services Corporation survey of top 6 largest programs conducted from Mar-May 2009 to provide representative sample.

May 15, and that other programs turn away a similar proportion of cases relative to the size of their programs. Using these assumptions we estimate that the total number of cases turned away would have been 44,413 for the year 2008<sup>15</sup>. As can be seen in chart V-B this is 46% of the cases closed in 2008.

**Chart V-B: Caseload demand for legal aid services**



*Funding scenarios to address unmet demand*

If the size of the legal aid effort was larger in 2008 then the size of the funding would have to have been larger also. There are many different potential means of increasing the funding. We present three ways that capture the range of potential effects for legal aid in Florida.

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<sup>15</sup> Estimation based on (3,331 cases turned away for top 6)/(45% (share of the top 6 sampled programs in total)) = 7,402 total cases turned away for all programs from period Mar 16 -May 15, 2008; then (7,402 cases / 2 months) \* (12 months/year) = 44,413 total cases turned away for all programs for year.

Specifically, the three funding scenarios to cover the cost of servicing the incremental increase in caseloads are:

Scenario 1 - State funding remains at 26%: The funding for the incremental portion is distributed in the same way as for the current program. Thus, all types of funding increases at the same rate.

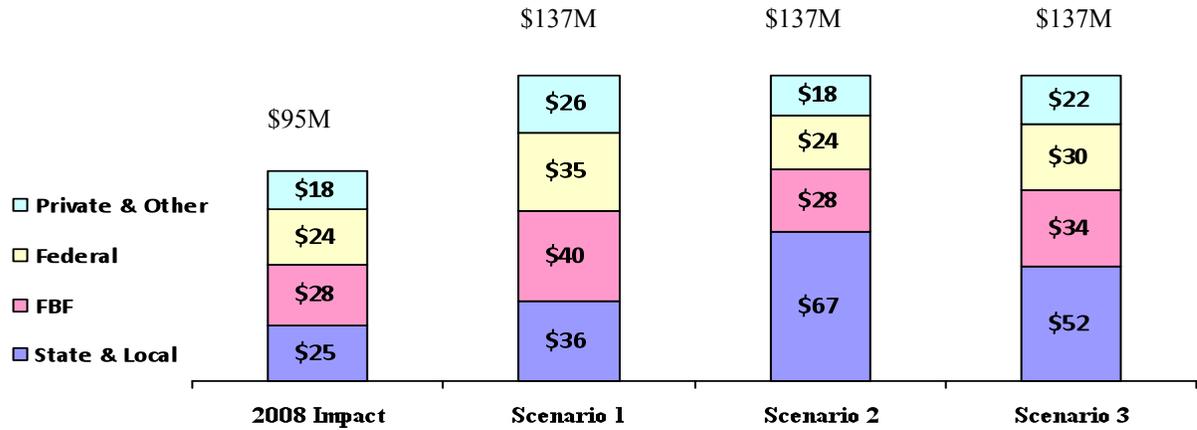
Scenario 2 - State funds entire increase: The funding for the incremental portion is completely funded by State & Local funding, without any increase in the Federal or FBF funding.

Scenario 3 - State funds partial increase: The State & local funding is raised halfway in between scenarios 1 and 2.

If legal aid had the resources to expand the services in 2008 then the economic impact would have been much greater. The effect of expanding legal aid to provide services to the people that have been turned away would lead to an economic impact ranging from \$327-\$367, depending on how the expansion is funded. Note that this implies that even if the State of Florida funds the entire expansion from state funds and increases taxes to offset this increased outlay, the State of Florida would still have a \$76-\$116 million increase in output resulting from the expansion of legal aid services. Thus, the Florida economy could have had substantially higher output in 2008 from a larger legal aid effort.

Similarly jobs created by the expanded program ranged from 4,251-4,888 jobs created by all of the legal aid programs in Florida. That is between 890-1527 additional jobs if the legal aid program had been expanded to meet the full demand in 2008. Note that the analysis is a long term analysis. Thus, REMI will measure the total jobs gained from legal aid programs over a 10 year period. However, in this case the bulk of the jobs are created in the first two years. For details on the jobs, GSP and disposable income see Table V-A.

**Chart V-C: Funding scenarios for expanded legal aid program**



**Table V-A: Economic impact of an expanded legal aid program, based on scenario funding**

Description	2008 Impact	State funding remains at 26%	State funds entire increase	State funds partial increase
Florida based funding* (\$MM)	53	76	95	86
# Jobs created	3,361	4,888	4,251	4,581
GSP, Gross State Product (\$MM)	251	367	327	349
Disposable Income (\$MM)	297	431	364	398
Stimulus Effect (\$X generated per \$1 spent)	\$4.78	\$4.85	\$3.46	\$4.10

## **VI. Conclusion**

Florida TaxWatch calculated the economic impact that the provision of civil legal services has on the Florida economy. In addition to calculating the effect of the existing legal aid services in 2008, the effect of expanding legal services, to include the cases that were turned away for lack of resources, was estimated.

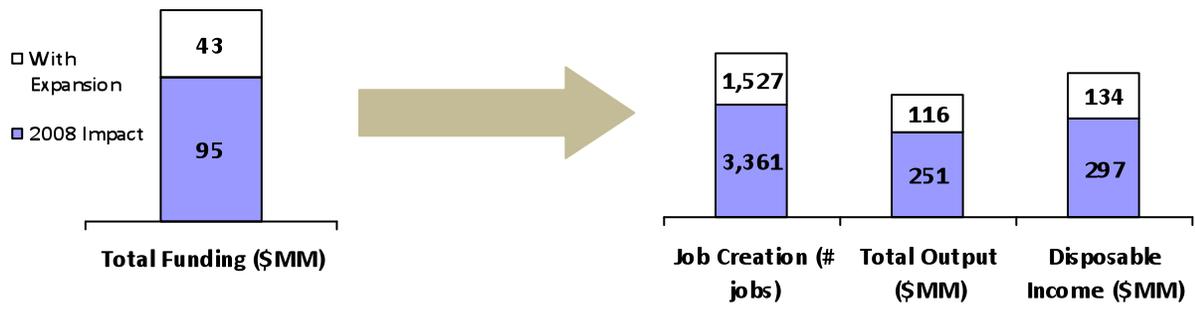
The changes to Florida expenditures come in three parts. The first part involves the direct payments to the legal aid programs for providing the service. Once services are provided some transfers from Federal sources are created for individual clients in Florida. This induced income leads to the second type of new expenditure stream. The final part of the change 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 civil legal aid in Florida is large. For each \$1.00 government, FBF, community and other foundations, and private donors put into legal aid services, the State of Florida receives an economic impact of \$4.78. The reason for the large impact is due to the large amount of funding from by Federal authorities, and the large induced federal and out-of-state flows generated. Furthermore 3,361 jobs were created as a result of legal aid. Slightly over 30% of those jobs are connected with the delivery of legal aid, whereas the remaining jobs are spread out in numerous other industries in Florida.

If legal aid programs had the resources to expand their services in 2008 then the economic impact would have been much greater. The effect of expanding the program, to provide services to the people that have been turned away, would lead to an increase in output ranging from \$76-\$116, depending on how the expansion is funded. Thus, the Florida economy could have had substantially higher output and between 890-1527 additional jobs if legal aid had been expanded to meet the full demand in 2008.

**Chart VI-A: Summary of overall impact for 2008 legal aid and incremental expansion**



## **VII. Appendices**