



# Considerations in Making Additional Budget Reductions

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**Senate Ways and Means Staff**

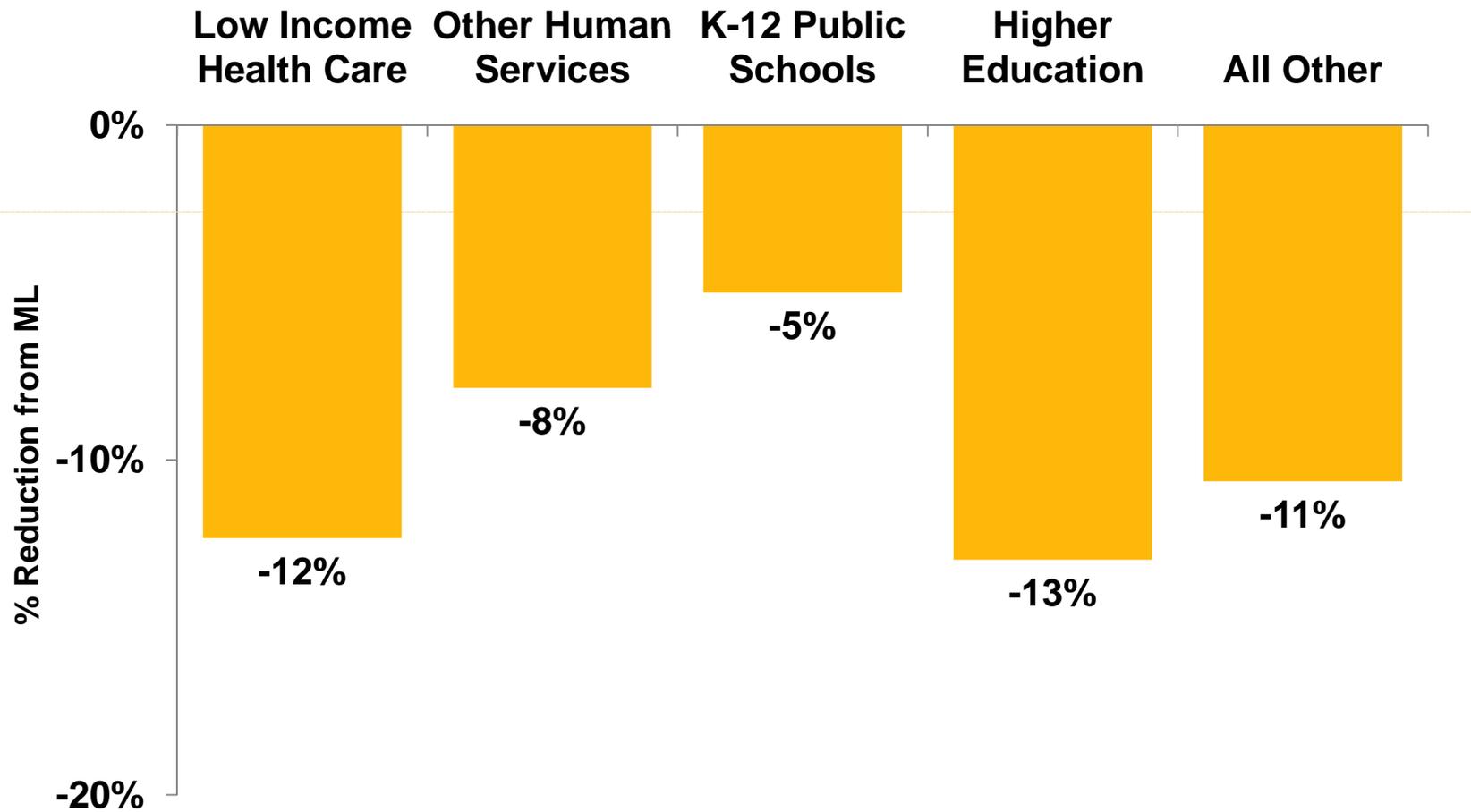
**October 1, 2009**



## Example Considerations

- The level and types of reductions already being implemented as a result of the enacted budget.
- Given the fiscal year has already started, the timing needs to be considered for any additional reductions.
- The federal and other legal issues that may impact your ability to make particular budget reductions.

# The percent reduction made in the enacted budget varies by functional area



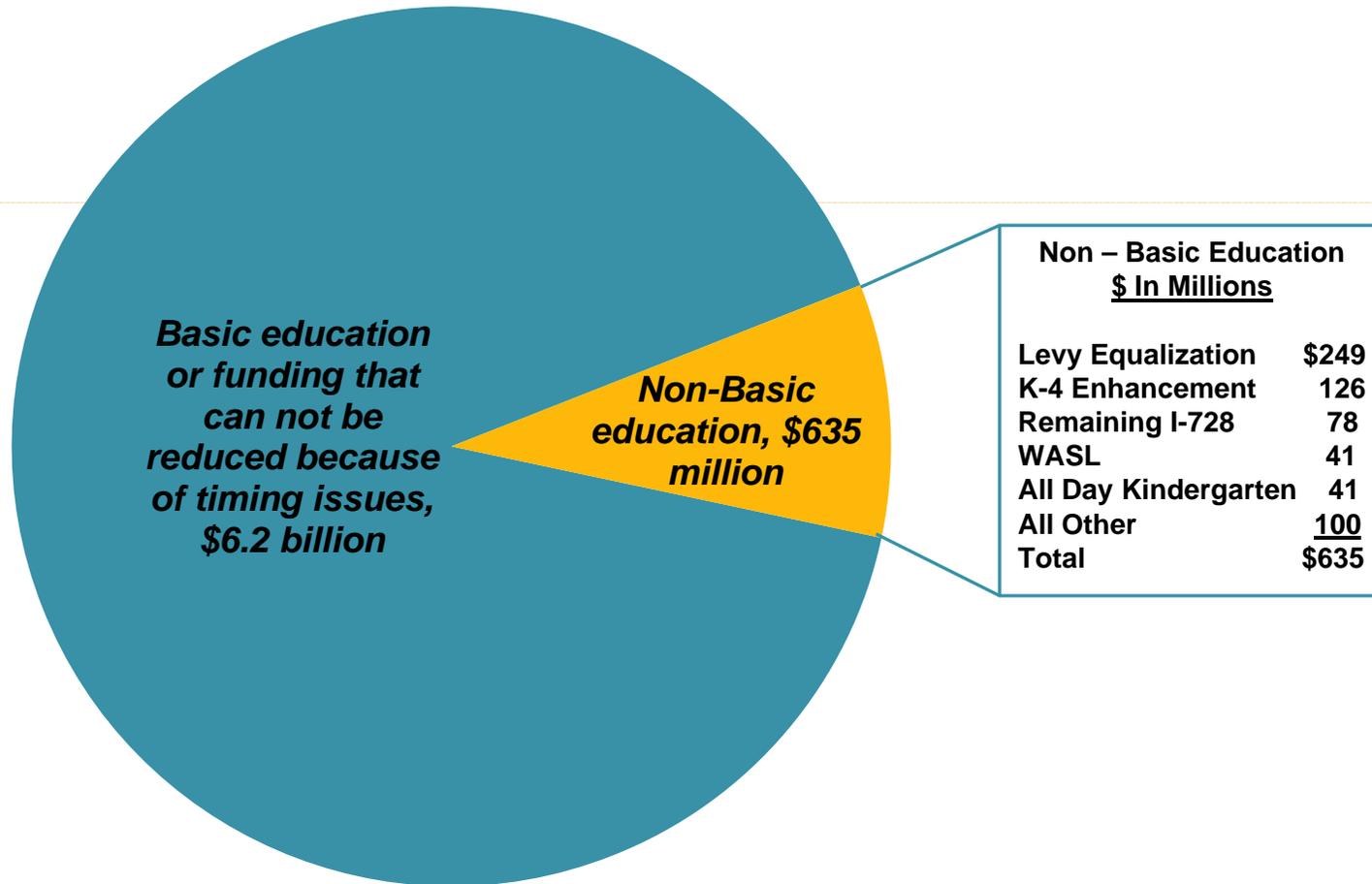
*\* Reflects net near general fund policy change after accounting for reductions and increases, but excludes impacts of compensation-related adjustments and assumed federal funding increases.*



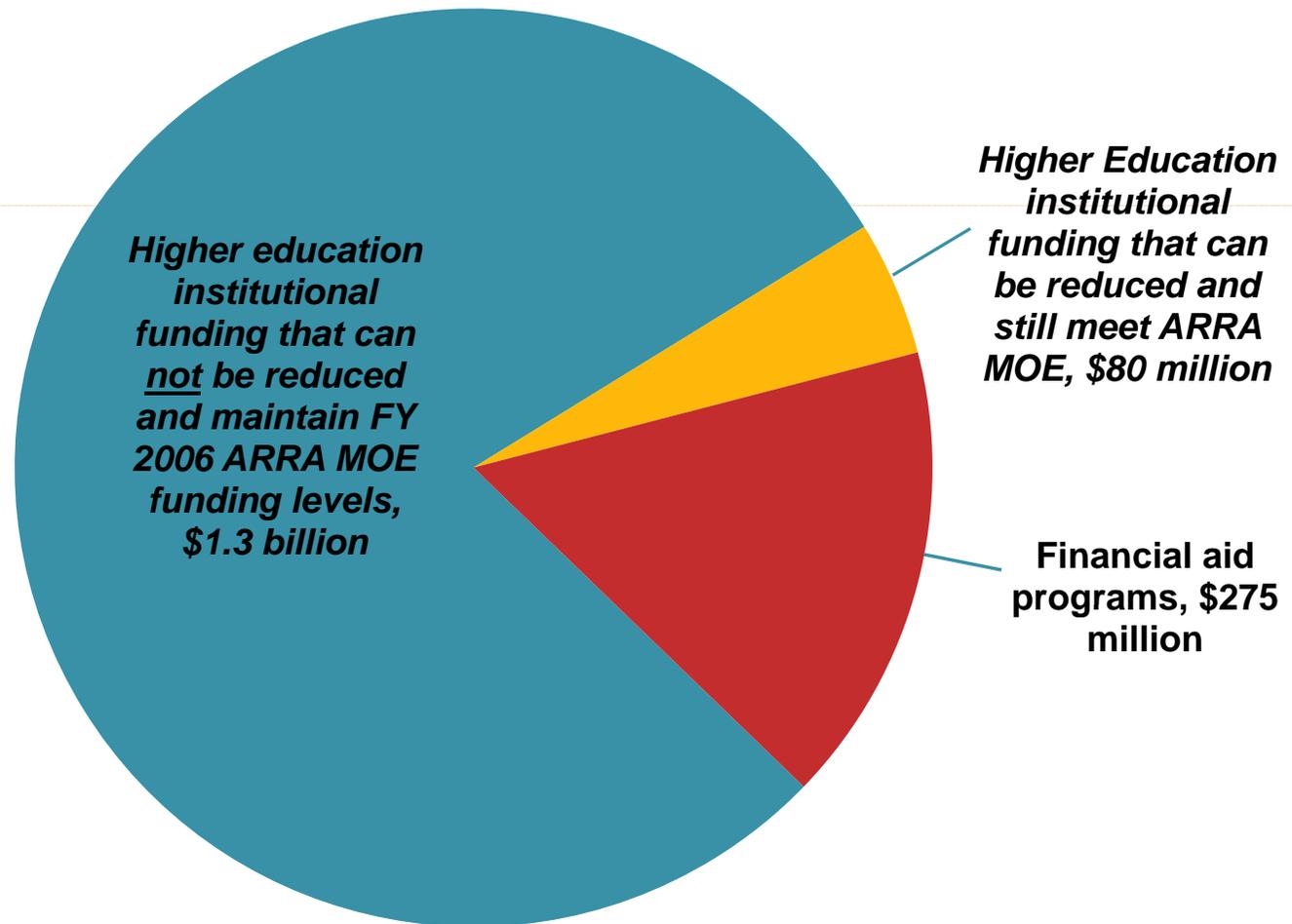
## **ARRA Fiscal Stabilization Fund Requirements**

- While leaving a fair amount of discretion to states in how to use the education related “fiscal stabilization” funds (\$820 million for Washington), states must use the funds to proportionally restore both K-12 and higher education when funding levels fall below certain levels.
- States must maintain state funding for both K-12 and higher education at FY 2006 levels.

Of the \$6.8 billion in state K-12 funding budgeted for FY 2011, only \$635 million or 9 percent is for non-basic education programs that can be reduced



Of the \$1.7 billion in higher education budgeted in FY 2011, over three-fourths is constrained by federal MOE requirements





## ARRA Medicaid Maintenance of Effort (MOE) Requirements

- States may not have Medicaid eligibility standards, methods or procedures in place that are more restrictive than those in effect on July 1, 2008

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- MOE provisions effective through December 31<sup>st</sup>, 2010, after which “optional” Medicaid programs may be reduced
- MOE provisions do not apply to state-only and SCHIP-funded programs
- MOE provisions do not constrain changes to benefits and provider rates

Of the \$3.4 billion in state low-income health care and aging and disability services programs budgeted for FY 2011, only \$400 million or 12 percent can be reduced without impacting ARRA MOE requirements

